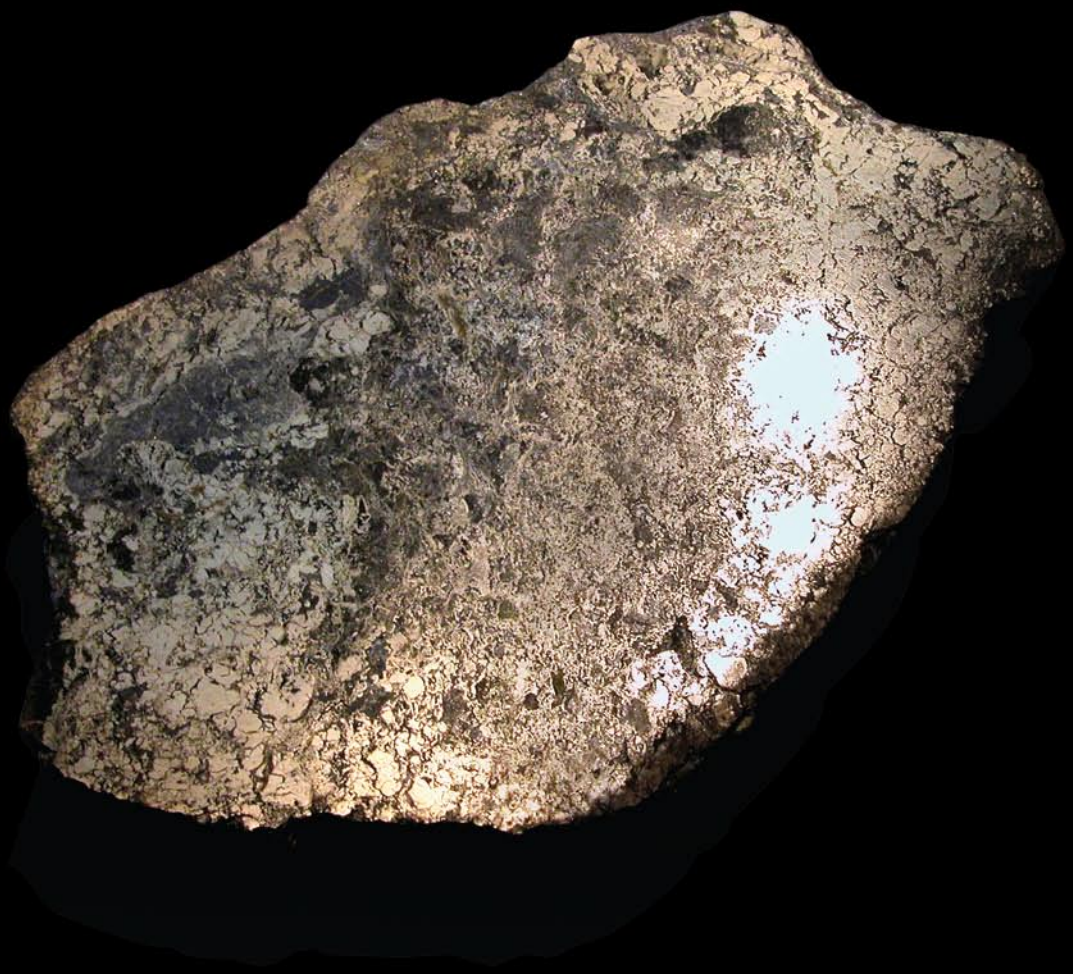
2010

ANNUAL REPORT

For the year ended 30 June 2010
ABN 31 109 933 995

QUE RIVER ORE GRADING
21% Zn, 10% Pb, 0.2% Cu, 243 g/t Ag & 8.3 g/t Au



BassMetals Ltd.

2010

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CORPORATE DIRECTORY

DIRECTORS
Don Boyer (Non Executive Chairman)
Michael Rosenstreich (Managing Director)
Craig McGown (Non Executive Director)
Tony Treasure (Non Executive Director)

COMPANY SECRETARY
Susan Hunter

REGISTERED OFFICE
16 Thelma Street
West Perth Western Australia 6005

PO Box 1330
West Perth Western Australia 6872

Telephone: (08) 6315 1300
Facsimile: (08) 9481 2846
Website: www.bassmetals.com.au
Email: admin@bassmetals.com.au

LEGAL ADVISORS
Wright & Cooney
Unit 1, 103 Colin Street
West Perth WA 6005

Blakiston & Crabb
1202 Hay Street
West Perth WA 6005

Page Seager Lawyers
162 Macquarie Street
Hobart TAS 7000

FINANCIAL RISK ADVISORY
Noah's Rule
Level 8, 182-186 Blues Point Road
McMahons Point NSW 2060

SHARE REGISTRY
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000

Telephone:1300 55 70 10

AUDITORS
Grant Thornton Audit Pty Ltd
Level 1, 10 Kings Park Road
West Perth WA 6005

STOCK EXCHANGE LISTINGS
ASX Limited (Code: BSM)
Deutsche Börse (R2F-Ber (Berlin) and R2F-FRA (Frankfurt))

CHAIRMAN'S LETTER

Dear Fellow Shareholder

This past year has again recorded many important milestones for the company, the most important being completion of the Fossey Feasibility Study and commencement of the mine development within almost two years of the initial Fossey discovery. These activities were underpinned by a continuing solid operating profit from the Que River Mine of $4.4 million for the year; a good result given it is now in its third year of production, twice its original planned mine life. The financial statements reflect a company in a transformational growth and development phase poised to significantly increase its production and revenue profile in the next financial year.

The Company's Board and Management share a vision to grow the Company into a diversified mid-tier mining house with the aim of establishing further operational centres in addition to its current mining and exploration operations in Tasmania, over the next 3 to 5 years. To achieve this we must successfully develop the Hellyer Mine Project (HMP) into a profitable operation, and utilise the cash flow and operational experience to develop new opportunities both organically and transactionally.

Organic Growth
Bass has many organic growth opportunities and during the past financial year significant progress was made to develop a number of these into potentially profitable additions to our Hellyer operations, including:

- Re-treatment of the Hellyer tailings utilising existing Bass-owned infrastructure to increase lead-zinc production and sales. The potential to process 1 million tonnes per annum of tailings to produce 60,000 tonnes per annum of bulk lead-zinc concentrate is an important opportunity.
- Development of a processing circuit to potentially treat the millions of ounces of refractory gold and silver occurring at attractive grades within the Company's resource inventory. The addition of 50,000 to 100,000 ounces of gold production to the Company's annual Hellyer output would have a significant financial impact and is therefore a very attractive prospect.
- The continuing evaluation and development of the Company's volcanogenic massive sulphide (VMS) exploration targets on its highly prospective and well endowed tenement holdings. VMS deposits typically occur in clusters and this ground is prospective for the discovery of another 3 to 5 million tonnes of high grade polymetallic deposit such as occurs at Que River.

A particularly exciting aspect of these opportunities is that the Company owns 100% of the underlying resources and aside from the possible new gold circuit, much of the infrastructure required to bring them to fruition. A significant advantage that the Company enjoys is the prospect of quickly commencing low cost mining operations from potential new discoveries through utilisation of existing infrastructure, including the large modern Hellyer Mill. This applies equally to large scale deposits and smaller opportunistic discoveries.

It is recognised that these opportunities represent considerable value to the Company and its market valuation and, by leveraging the cash flows generated from the HMP, it is anticipated that they will become a focal point of the organic growth strategy through the coming year.

Transactional Growth
The examination of acquisition and merger opportunities has also been a low priority for management relative to getting the HMP into production. HMP cash flows and operational experience will be a strong catalyst for both new acquisitions and possible corporate deals. In the coming financial year Bass plans to be more proactive in this area and this is likely to see its activities start to grow beyond Tasmania. This extension of activities will seek to leverage off our expertise in finding and processing VMS and polymetallic style ore bodies, and will always be assessed on the benefits for shareholders resulting from any transaction.

The Future
Our Company is very well positioned for robust growth by virtue of its high grade resources and low cost operations. This outcome is directly attributable to a very hard working and professional team that contribute to all facets of the company's activities; in the field, on the mine, in the plant, the lab, and in the office. Together we are forging an exceptional company culture of integrity, excellence and accountability and on behalf of the Board I would like to acknowledge and thank them for their respective contributions to all of these aspects of the Company's development. I would also like to thank our shareholders and stakeholders for their ongoing interest and support of our activities.

Yours sincerely

Don Boyer
Chairman

2

REVIEW OF OPERATIONS

2.0 OVERVIEW

The core focus through the past financial year has been the completion of the Fossey Feasibility Study and Environmental Management Plan followed by the commencement in early 2010 of the mine development and Hellyer Mill refurbishment program, collectively referred to as the Hellyer Mine Project. Other important activities included an aggressive exploration program, the ongoing care and maintenance activities around the Hellyer Mill and the amelioration of significant legacy environmental issues. During these activities Bass has also positioned itself for this next production growth phase by building up its management and operating team with the recruitment of an Operations General Manager, based in Tasmania; a Chief Financial Officer; a dedicated Environmental Officer; a Mining Engineer and a Safety Co-ordinator; overall establishing the foundations of its operating team, policies and structures.

The Hellyer Mine Project will transform Bass into a significant producer of zinc, lead and copper-silver-gold concentrates. At the end of June 2010, the Mill refurbishment was approximately 50% complete and the decline was over half way down to the Fossey ore body with costs consistent with the original development plan. Commercial arrangements with Nyrstar for the sale of the Fossey zinc and lead concentrates and with RMB Resources for the provision of the $12 million project loan facility are also in their final stages and in line with previous reports.

Developing and growing the Company's asset base has been largely funded through difficult economic times by the profitable, high-grade Que River polymetallic mining operation. However, to fund the development of the HMP and maintain a sound cash position, a $15 million capital raising was completed in January 2010. This was a significant achievement for a Company of Bass' size and was initiated to maintain independence from the financing alternatives that would have included Life-of-Mine concentrate sales obligations; which Bass did not think was commercially acceptable given the modest size of the Fossey ore reserve and the huge exploration potential to find a larger deposit.

As indicated above, management considers that along with cash generation, the other significant value driver for Bass is growth through exploration. The Company has a significant tenement holding in the highly mineralised Mt Read Volcanic Belt in North West Tasmania (refer Figure 1). A major milestone in the past year was the completion of a detailed research study utilising several new exploration techniques resulting in the generation of an exciting array of exploration targets. Drill testing of these commenced in December 2009 and had immediate "technical" success with mineralisation intersected at both the North Hellyer and Switchback targets. Whilst further drilling failed to outline a resource at North Hellyer, significant resource potential remains at Switchback. This process of target generation, refinement and testing is ongoing and Bass appears poised to make another new discovery.

The Company's financial performance has been broadly in line with expectations and reflects a business undergoing significant change and growth. The result for the year is a loss after tax of $0.4 million, but underlying this figure is an operating profit for the year of $4.4 million for the Que River operation; down on last year but consistent with less tonnes sold at lower grades.

Bass has a cash balance of $9.5 million and a working capital position of $8.3 million as at 30 June 2010. In the December 2009 quarter and January this year, the Company raised a total of $15.3 million (before costs) through the issue of approximately 66.6 million shares. Major expenditure during the year included:

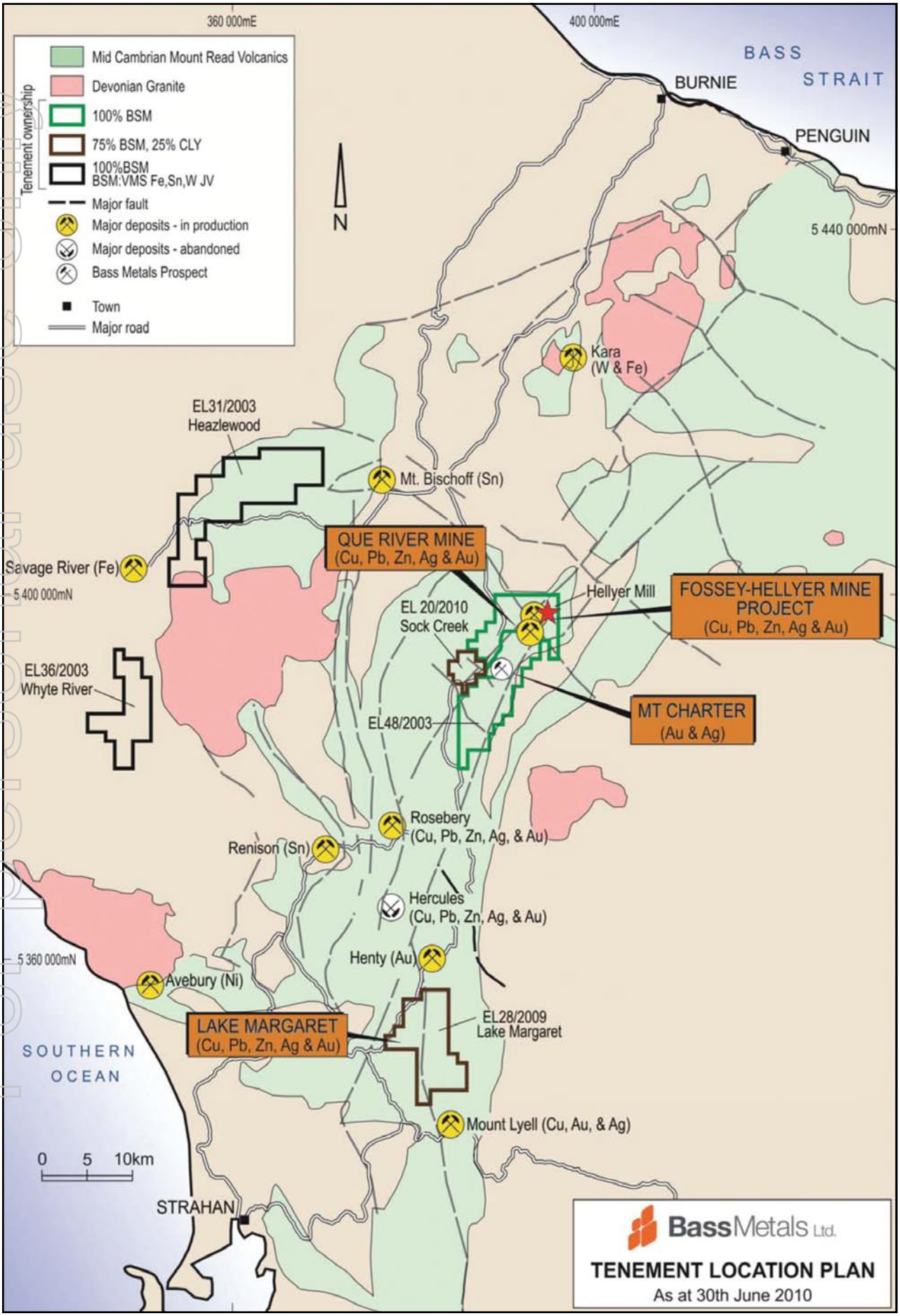
- HMP Development $8.3 million
- Exploration $3.9 million
- Environmental bonds to cover Hellyer Mill/Mine lease $1.0 million
- Hellyer maintenance, environmental, and management costs $1.7 million
- Corporate administration and business development costs (net of interest income) of $2.2 million

The Company also has a credit approved offer of finance from RMB Resources Limited to fund the HMP development which is currently being documented with drawdown planned in late 2010.

Clearly the 2010 financial year was another transformational period for the company in terms of both technical and financial outcomes. Further detail on both these aspects of the Company's growth is provided in the following sections of this report.

> "The Hellyer Mine Project will transform Bass into a significant producer of zinc, lead and copper-silver-gold concentrates."

Figure 1: Tenement Location Plan



2.1 SUSTAINABILITY

2.1.1 OCCUPATIONAL HEALTH AND SAFETY

In the mining operations there were no lost time injuries (LTI) or material environmental incidents during the year. The Que River operation reached a major milestone of almost 3 years without a LTI, to the end of August 2010. The exploration division recorded 210 days free of LTI's during the year.

Overall a very positive safety and training culture is developing with a declining trend in treated and lost time injuries and an improving awareness of work place safety obligations and standards as indicated by a high hazard reporting participation. Development of safety systems and risk assessments is well advanced for the anticipated scale-up in operations later in the year.

2.1.2 ENVIRONMENTAL MANAGEMENT

Bass employed a full-time, Tasmanian based Environmental Officer during the year to develop new innovative means of minimising the impact of the Company's activities on the local environment, ensure compliance of its operations with Tasmanian Environmental Protection Authority (EPA) requirements and to focus on the amelioration of legacy environmental issues that were inherited by the Company.

The main initiatives and achievements for the period include:

- material improvements in the quality of water leaving the Hellyer lease;
- implementation of specific management measures to reduce legacy acid mine drainage including former stockpile area rehabilitation and tailings saturation;
- interim measures to manage water from the Fossey decline development;
- improved control of water quality leaving the Que River lease over winter through lime dosing upgrades; and
- growing awareness of environmental considerations for exploration and mining activities across both mine leases.

Bass also continues to support several research projects aimed at developing self-sustaining water treatment systems to manage acid mine drainage problems.

2.1.3 HUMAN RESOURCES

The Company is going through a major growth phase including significant increases in the number of employees and contractors on its sites and the diversity of skills required to undertake its various activities. The work force has increased from approximately 45 people 12 months ago to approximately 106 people currently. When the operation is running at full capacity the total site workforce will be approximately 100 to 115 comprising operations, exploration and site management. Bass continues to invest in Human Resources programs to attract and retain talented individuals to drive the business.

2.2 TASMANIAN OPERATIONS

2.2.1 HELLYER MINE PROJECT (Cu-Pb-Zn-Ag & Au)

The Hellyer Mine Project (HMP) refers to the evaluation of mining ore from the Fossey, Hellyer and Que River resources (refer Sections 2.2.4, 2.4 and 2.5) and processing it through the Hellyer Mill to produce separate zinc, lead and copper-precious metals concentrates over a possible 5 year period. Figure 2 illustrates the location of the Company's resource and infrastructure assets. In October 2009, Bass completed a Definitive Feasibility Study (DFS) focussing on the Fossey deposit to supply the ore feed for the first 2.5 years. This was subsequently incorporated into an implementation plan referred to as the Hellyer Operating Plan (HOP).

In early 2010 Bass commenced a $20 million capital expenditure program to develop the Fossey deposit and refurbish the Hellyer Mill; which together comprise Stage 1 of the HMP.

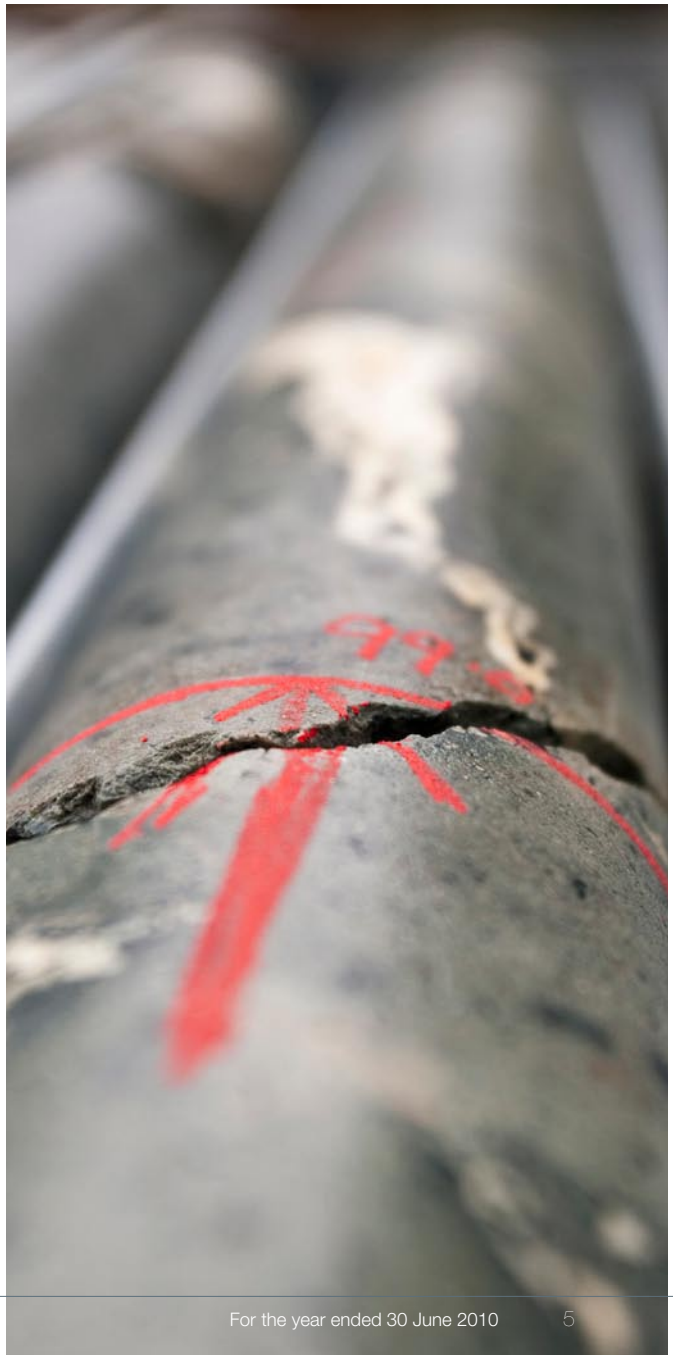
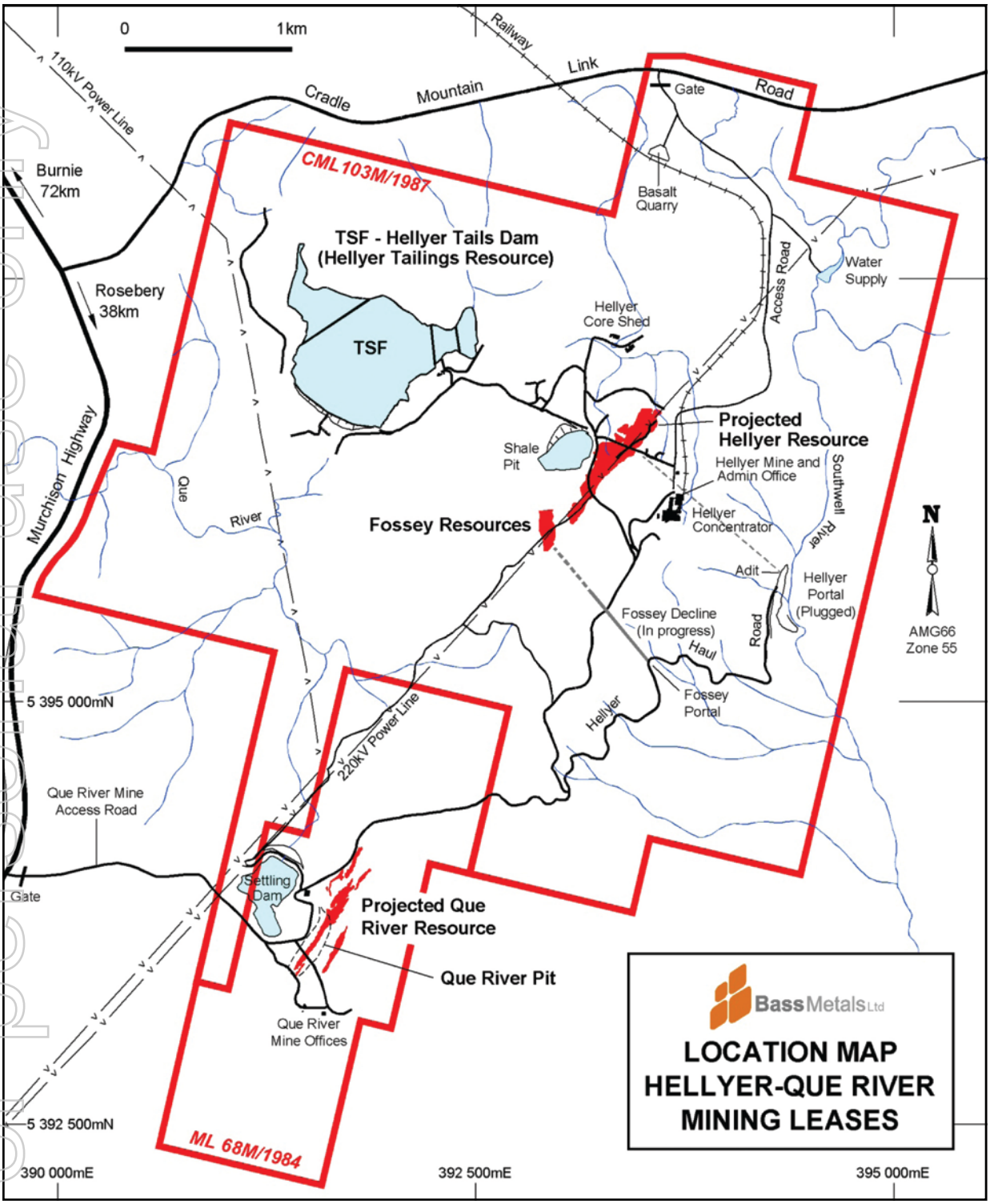


Figure 2: Hellyer-Que River Mine Lease Location Plan



a. Hellyer Operating Plan (HOP)

The HOP is the detailed, optimised implementation plan to develop the new Fossey underground mine, refurbish the Hellyer Mill and commence mining and processing Fossey ore at the rate of 400 thousand tonnes per annum (ktpa) to produce 53 ktpa of zinc concentrate, 27 ktpa of lead concentrates and 4.5 ktpa of copper-silver–gold concentrates. The HOP also incorporates the finalised concentrate off take terms for the lead and zinc concentrates agreed with Nyrstar.

The main revisions to key technical and financial outcomes are presented in Table 1, utilising the same commodity and exchange rate assumptions in the DFS, which are presented in Table 2.

The revised estimated overall outcome in the HOP is a $6 million (13%) improvement in the planned earnings before interest and tax (EBIT). The industry wide benchmark C1 cost estimate is also reduced from US$0.33/lb (payable Zn after all credits) to US$0.17/lb, placing it in the lower quartile of the world production cost curve. The improvement in the project's C1 cost reflects refinements to the mining capital schedule as well as a reallocation of logistics charges pursuant to the final concentrate sales agreements. In addition, real improvements to the project's production, mining efficiency and sales outcomes have also acted to positively influence this benchmark metric.

Table 1: HOP Technical & Financial Summary

Technical Parameters	
Ore Reserve/Mining Inventory[1]	886 kt at 8.4% zinc (Zn), 5.0% lead (Pb), 0.3% copper (Cu), 119 g/t silver (Ag) & 2.3 g/t gold (Au). (Refer Sections 2.2.4, 2.4 and 2.5)
Mine Life	c. 3 years (from start-up, i.e. decline commencement, to completion)
Concentrate Production	Zinc Concentrate: 106 kt at 53% Zn 150 g/t Ag & 2.3 g/t Au
	Lead Concentrate: 54 kt at 58% Pb, 10% Zn, 478 g/t Ag & 2.3 g/t Au
	Copper-Silver Concentrate: 9 kt at 18% Cu, 4,374 g/t Ag & 9.1 g/t Au

Estimates of Financial Outcomes					
		HOP (March 2010)		**DFS (Oct. 2009)**	
	Units	**Total**	**A$/t ore**	**Total**	**A$/t ore**
Gross Revenue	A$M	238	268	229	269
Net Smelter Return	A$M	172	194	174	205
Site Operating Costs	A$M	74	84	86	101
Royalties[2]	A$M	15	17	14	17
EBITDA	**A$M**	**83**	**94**	**74**	**87**
Start-up Capital Costs	A$M	21	24	18	21
Ongoing Capital Costs	A$M	8	9	8	9
EBIT	A$M	54	61	48	57
EBIT Margin	%	c.31%		c.28%	
C1 Costs (per lb payable Zn after credits)	**US$/lb**	**US$0.17**		**US$0.33**	

1. Mining Inventory is an Inferred Mineral Resource component that occurs within the planed stoping shapes. (Refer Section 2.2.4, 2.4 and 2.5)
2. Includes State and production/incentive royalties.

Table 2: Commodity price & FX assumptions utilised in the HOP & DFS

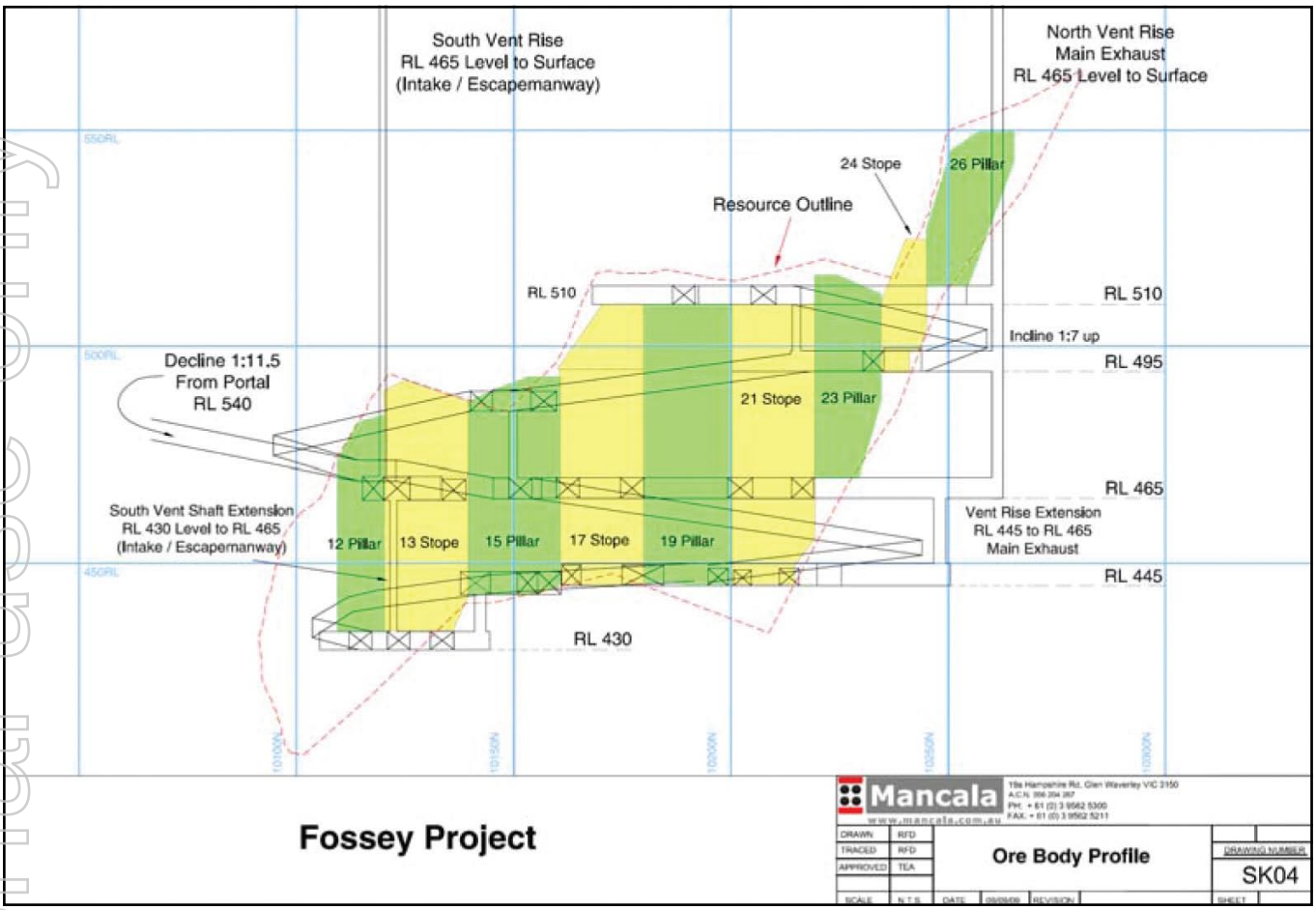
	Units	USD Price	AUD Price*
Zinc	$/t	1,950	2,241
Lead	$/t	2,100	2,414
Copper	$/t	6,000	6,897
Silver	$/oz	17	20
Gold	$/oz	1,000	1,149

* as in the DFS with AUD:USD 0.8700

b. Mine Development

Access to the 0.9 million tonnes (mt) Fossey deposit will be via a decline 911 metres in length. At the end of June 2010, total underground development (decline and stockpiles) totalled 537 linear metres with the decline face position at 474 metres from the portal. The decline and associated development is due to be completed in October 2010. Ore production, which commences in November 2010, will be from a series of transverse long hole open stopes with cemented aggregate fill applied to the primary stopes to enable extraction of the intervening secondary stopes as presented schematically in Figure 3.

Figure 3: Fossey Schematic Long-section illustrating planned mine layout



c. Hellyer Mill Refurbishment

The Hellyer Mill is a modern large scale facility specially designed for processing polymetallic ores (i.e. containing copper, lead, zinc, silver and gold), such as Fossey, to produce a series of base metal concentrates at an annualised rate of up to 1.5 million tonnes per annum (mtpa).

The soft nature of the Fossey ore as shown by additional test work completed in January 2010 led to further circuit refinements, which include by-passing the ball mill and utilising only the SAG and Tower Re-grind mills to achieve the target grind sizes and metal recoveries. This may generate further operating cost savings not currently factored into the DFS.

Mill refurbishment activities commenced in January 2010 and at the end of June were progressing in accordance with the HOP targets.

d. Base Metal Concentrate Sales & Marketing

In January 2010 the Company signed a committed off-take contract with leading global multi-metals business, Nyrstar, for all zinc and lead concentrates produced from the Fossey Mine. Nyrstar is the world's largest zinc metal producer and one of the world's largest primary lead smelting and refining companies. Nyrstar owns the Risdon Zinc Smelter in Tasmania and the Port Pirie Lead Smelter in South Australia, hence contracting with Nyrstar generates many logistical advantages in concentrate freight and payment terms. Negotiations for marketing the copper-silver-gold concentrate are at an advanced stage with final detailed negotiations close to conclusion with a preferred party.

These sales arrangements apply only to concentrates produced from the Fossey deposit and the company has retained the right to market any products derived from any other deposit or feed stock.

e.Capital Expenditure

Total capital expenditure and commitments to the end of June 2010 for the Hellyer Project comprise $8.3 million versus the budget estimate to the end of June 2010 of $8.8 million.

2.2.2 QUE RIVER MINE (Cu-Pb-Zn-Ag & Au)

Mining operations commenced at Que River in late September 2007 with ore being mined from a series of shallow open pits. Ore is stockpiled, sampled and assayed before being trucked to the Rosebery flotation concentrator owned by MMG Australia Limited. Bass is paid a percentage of the zinc, lead, copper, gold and silver contained in the ore under an Ore Sales Agreement with MMG Australia Limited.

a. Mining Activities

Mined tonnages of ore during the year exceeded predictions from the Ore Reserve model by 29% due to ore being mined from outside the model. Actual mined grades for all contained payable metals significantly exceeded predictions as presented in Table 3.

Table 3: Production Comparison – Mined versus Predicted FY2010

	Tonnes**	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Cu (%)
Predicted (OBM*)	39,096	10.8	6.3	164	2.2	0.3
Ore Mined	50,474	15.9	8.9	236	3.5	0.4
Variance to OBM	29%	47%	42%	44%	59%	41%

(*OBM=Ore Body Model used for the Mine Plan budget; **Tonnes are wet metric tonnes (wmt))

b. Ore Sales

A total of 54,136 tonnes of ore was sold to MMG Australia Limited during the year. At 30 June, an inventory position of 1,331 wmt remains in stockpiles ready for haulage and sale.

c. Operating Performance

Revenue

Revenue for the year was $18.2 million (2009: $23.8 million) a 23% reduction from the previous year, primarily because 18% less ore was sold and at lower metal grades. The revenue does not include hedging gains/losses associated with ore sold.

Gross revenue per tonne of ore sold was $336/wmt. The timing of revenue within a period is affected by the time lag between delivery of the sold ore and fixing the realised price (Quotational Period). The Quotational Period for zinc and lead is four months after the month of delivery, one month for gold and silver and six months for copper.

Hedging losses during the year were $0.2 million or approximately $4 per tonne of ore sold.

Operating Margin

On a Profit & Loss basis per tonne sold, Que River generated a profit for the Company during the year as shown in Table 4 below, a 20% increase to the previous financial year. The operating margin was 30%, and after subtraction of the average realised hedge loss of $4 per tonne the margin decreased to $97 per tonne of ore sold or 29%. Site operating costs were higher than the previous year due to 18% less tonnes being sold, higher waste mining and more onerous ore preparation requirements.

Table 4: Unit Operating Profit – per tonne of ore sold

Cost Centre		FY10	FY09	FY08
Average Ore Value	$/t	336	361	247
Operating Cost				
Site Operating Costs	$/t	106	68	88
Treatment Costs	$/t	40	40	40
State Royalties	$/t	10	22	4
Depreciation & Amortisation	$/t	79	103	57
Total Operating Cost	$/t	**235**	**233**	**189**
Operating Margin	$/t	**101**	**128**	**58**
Operating Margin	%	30%	35%	23%
Realised Hedge Gains/(Loss)	$/t	(4)	16	38
Total Margin	$/t	**97**	**144**	**96**

d. Que River Mine Outlook

At the end of the financial year the operation has almost completed mining the PQ North cutback pit, the final ore source for the ore sales arrangement with MMG at Rosebery. The remaining resources (refer Sections 2.2.4, 2.4 and 2.5) will be evaluated for mining and processing through the Hellyer Mill.

2.2.3 SPECIAL PROJECTS

The Company's focus is clearly on the HMP development. This is planned to generate the cash flow to fund both organic and transactional growth. However, several special projects have also been pursued during the year as part of the organic growth strategy, including retreatment of the Hellyer tailings resource to fully utilise the Mill and opportunities to recover gold, given the significant gold endowment across the Company's resource assets (refer Sections 2.2.4, 2.4 and 2.5).

a. Hellyer Tailings Retreatment Project

A pre-feasibility study to examine the technical and financial viability of re-starting the Hellyer tailings retreatment project was advanced significantly during the year. The total combined Hellyer tailings Mineral Resource (refer Sections 2.2.4, 2.4 and 2.5) grades 2.8% lead, 2.5% zinc and 104 grams per tonne (g/t) silver, as well as 0.2% copper and 2.6 g/t gold. From December 2006 a total of 2 million tonnes had been reclaimed by dredge, pumped to the Hellyer Mill for flotation recovery of lead, zinc and silver into a bulk concentrate. The previous owners suspended operations in September 2008 and subsequently sold all of their Hellyer assets, including the dredge, to Bass.

The objective of the study is to assess restarting the operation and running it in conjunction with the HMP ore processing schedule to produce approximately 60 ktpa of bulk concentrate grading 50% lead plus zinc and 100-150 g/t silver. The site operating costs of this operation are well understood and there should be cost synergies to both feed stocks (Fossey ore and tailings) through economies of scale by fully utilising the plant capacity.

This type of bulk lead-zinc concentrate can only be treated by ISF type smelting operations and there are a limited number of these globally; mostly in China. To complete the pre-feasibility study, Bass must obtain reliable indicative concentrate off-take terms from smelters. This process is underway and includes some additional test work to tailor the product specifications to the potential buyers.

b. Gold Recovery Project

As an adjunct to the tailings re-treatment study Bass has completed a conceptual study examining the potential to recover gold and silver from the various resources Bass owns in the region, in particular the Hellyer tailings which contain approximately 0.8 million ounces of gold and 32 million ounces of silver (refer Sections 2.2.4, 2.4 and 2.5).

Whilst the highly refractory nature of the gold in the Hellyer tailings is well known, there were extractive technologies identified and tested in the 1990's that achieved high gold recoveries, but were not economic, at that time. The Company considers that several factors have changed since then, including:

- technological advances in gold extraction technology;
- Bass has a significantly larger resource base i.e. not just the tailings resource, with components that have a less refractory gold endowment than the tailings;
- a higher gold price environment; and
- potentially a base metals mining and milling operation running in parallel to share costs.

Three processing options were identified as potentially viable; Direct Cyanidation, Albion Process and Pressure Oxidation. The findings were reported in detail to the ASX on 29 July 2010, and two key summary Tables 5 and 6 are presented which highlight the metallurgical recovery and potential production estimates reported

Table 5: Production Estimate Summary - assuming 1 mtpa processed

		Direct Cyanidation		Albion Process		Pressure Oxidation	
	Units	Au	Ag	Au	Ag	Au	Ag
Feed Grade	g/t	2.59	104	2.59	104	2.59	104
Total Recovery	%	25	40	86	82	37	65
Metal Recovered	koz/pa	20.8	1,338	71.6	2,742	30.8	2,174

Table 6: Financial Outcome Estimates for each Option

	Units	Direct Cyanidation	Albion Process	Pressure Oxidation
Gold Equivalent production per year*	koz	40.2	111.4	62.3
Estimated total site operating costs per ounce	A$/oz.	743	877	694
Operating margin	%	43	33	47

* Gold equivalence is based on gold and silver prices of A$1,310/oz gold & $19/oz silver giving a factor of c. 1:70, Au:Ag.

Bass is highly encouraged by the outcomes of the scoping study and whilst it is at an early phase it indicates the potential of utilising proven technologies to recover appreciable quantities of gold and silver and possibly also certain base metals (for Pressure Oxidation method), which could significantly enhance the production and revenue profile of its business in Tasmania. Further large scale sampling and test work programs are planned prior to committing to a definitive feasibility study to determine if such an operation could be viable and how it might be implemented.

> "The Company's focus is clearly on the HMP development. This is planned to generate the cash flow to fund both organic and transactional growth."

2.2.4 TASMANIAN ORE RESERVES AND MINERAL RESOURCES

Bass has a large and diversified Mineral Resource Inventory comprising high grade massive sulphide base and precious metal mineralisation, tailings from the former Hellyer Mine operations containing gold and base metal sulphides and a shallow, hard-rock gold-silver resource.

a. Ore Reserves

The Fossey deposit is the initial Ore Reserve for the HMP; a detailed summary is provided below in Table 7. This also includes a Inferred Mineral Resource component that occurs within the planed stoping shapes and is reported separately below as Mining Inventory (Table 7a). At Que River a minor Ore Reserve position remains as summarised in Table 7, based on the ore sales arrangement with MMG Rosebery. The PQ North mine is due for completion in September 2010 and there is no plan to mine and sell S-Lens ore under this sales arrangement. The previously reported S-lens Ore Reserve was based on these ore sales terms and has now been removed from the summary as Bass is assessing the S-Lens Resources for processing at Hellyer.

The Ore Reserves in Table 7 are a sub-set of the Mineral Resources presented in Table 8 below.

Table 7: Tasmanian Ore Reserves as at 30 June 2010 – 5% Pb+Zn cut-off

Location	JORC Classification	Tonnes kt	Copper (%)	Lead (%)	Zinc (%)	Silver (g/t)	Gold (g/t)
Fossey[1]	Total Probable	824	0.3	5.3	8.9	126	2.4
	Total Proved	-					
PQ[2] (Que River)	Total Probable	12	0.2	7.4	13.2	209	2.6
	Total Proved	1	0.3	6.4	10.4	232	4.2
	Total Reserves	13	0.2	7.3	12.9	212	2.8
Total[3]		**837**	**0.3**	**5.3**	**9.0**	**127**	**2.4**

1. Fossey Ore Reserve – Refer Competent Person statement Section 2.4 and Technical Checklist in Section 2.5, Appendix 1.
2. Que River Ore Reserve - Refer Competent Person statement Section 2.4 and Technical Checklist in Section 2.55, Appendix 2.
3. Rounding errors may occur.

Table 7a: Tasmanian Mining Inventory as at 30 June 2010 – 5% Pb+Zn cut-off

Location		Tonnes kt	Copper (%)	Lead (%)	Zinc (%)	Silver (g/t)	Gold (g/t)
Fossey[1]	Mining Inventory	62	0.2	3.8	6.2	84	1.9

1. Fossey Ore Reserve – Refer Competent Person statement Section 2.4 and Technical Checklist in Section 2.5, Appendix 1.

b. Massive Sulphide Resources

The Fossey, Hellyer and Que River deposits comprise the Company's massive base metal sulphide Mineral Resources. These estimates are reported at a (Pb+Zn)>5% cut off in Table 8 below in accordance with the JORC Code.

Table 8: Combined Polymetallic Massive Sulphide Mineral Resources as at 30 June 2010 – 5% Pb+Zn cut-off

Location	JORC Classification	Tonnes kt	Copper (%)	Lead (%)	Zinc (%)	Silver (g/t)	Gold (g/t)
Fossey[1]	Indicated	690	0.4	6.1	10.4	143	2.5
	Inferred	110	0.3	4.3	7.4	106	2.1
	Total	**800**	**0.4**	**5.8**	**9.9**	**137**	**2.5**
Hellyer Remnants[2]	Indicated	640	0.4	4	6.8	83	1.3
	Inferred	110	0.2	4.9	8.1	107	1.5
	Total	**750**	**0.3**	**4.1**	**7**	**87**	**1.3**
Que River Pb-Zn[3]	Indicated	160	0.2	3.8	6.5	96	1.2
	Inferred	140	0.3	4.2	7.4	104	1.2
	Total	**300**	**0.2**	**4**	**6.9**	**100**	**1.2**
Que River Cu[3]	Measured	60	1.7	0.7	2.1	69	0.3
	Indicated	260	1.9	1.6	4.3	68	0.3
	Inferred	60	2.5	0.2	0.6	33	0.2
	Total	**380**	**2**	**1.3**	**3.4**	**63**	**0.3**
Total[4]	Measured	60	1.7	0.7	2.1	69	0.3
	Indicated	1,750	0.6	4.5	7.8	106	1.6
	Inferred	420	0.6	3.8	6.6	95	1.4
	Total	**2,230**	**0.6**	**4.2**	**7.4**	**103**	**1.5**

1. Fossey Resource – Refer Competent Person statement Section 2.4 and Technical Checklist in Section 2.5, Appendix 1.
2. Hellyer Remnant Resource- Refer Competent Person statement Section 2.4 and Technical Checklist in Section 2.5, Appendix 3.
3. Que River Resource is estimated from 4 separate bodies, PQ, QR32, Nico and S Lens. Refer Competent Person statement Section 2.4 and Technical Checklist in Section 2.5, Appendix 2 & 4.
4. Rounding errors may occur.

c. Tailings Resource Estimate

The Company also has a significant tonnage of tailings, contained in a purpose built impoundment and stored submerged beneath water to prevent environmental degradation through acid mine drainage. This Mineral Resource is summarised in Table 9, in accordance with the JORC Code.

Table 9: Hellyer Tails Combined Mineral Resource Estimate – 23 June 2009

JORC Classification	Tonnes mt	Copper (%)	Lead (%)	Zinc (%)	Silver (g/t)	Gold (g/t)
Measured	4.9	0.2	3.1	2.8	105	2.7
Indicated	2.5	0.2	3.0	2.6	104	2.6
Inferred	2.1	0.2	2.9	1.7	103	2.4
Total	**9.5**	**0.2**	**2.8**	**2.5**	**104**	**2.6**

Refer Competent Person statement Section 2.4 and Technical checklist in Section 2.5, Appendix 5.

d. Mt Charter Gold-Silver Resource

At Mt Charter a large tonnage low grade gold-silver Mineral Resource has been delineated. The Mineral Resource is reported above a 0.7 g/t cut-off within the mineralised envelope boundary and is classified as Indicated and Inferred in accordance with the JORC code (December 2004), as listed in Table 10 below.

Table 10: Summary of Mt Charter Mineral Resource at a 0.7 g/t Au cut-off - 30 October 2006

JORC Classification	Tonnes mt	Gold (g/t)	Silver (g/t)	Zinc (%)	Gold koz	Silver koz
Indicated	1.9	1.21	36.3	0.7	74	2,218
Inferred	4.2	1.22	35.2	0.4	165	4,754
TOTAL	**6.1**	**1.22**	**35.5**	**0.5**	**239**	**6,972**

Refer Competent Person statement Section 2.4 and Technical Checklist in Section 2.5, Appendix 6.

2.3 EXPLORATION

2.3.1 OVERVIEW

Bass has maintained a strong level of exploration activity with expenditure for the year of $3.9 million. The first four months of the financial year was a target generating period with new geoscientific techniques completed on Bass' extensive core library, including a short wave infrared spectral / alteration study and a multi-element low detection limit geochemical sampling program. The remainder of the year was spent interpreting the results and target testing. A total of 7,414 metres of diamond drilling in 23 holes was completed in ongoing testing of these targets.

There has been a strategic refocusing of exploration towards the Mt Read Volcanic belt, which is considered highly prospective for the larger higher grade volcanic hosted massive sulphide (VHMS) style deposits (e.g. Que River/ Hellyer) required to keep the Hellyer Mill fully utilised long-term. Commensurate with this, several regional exploration programs were completed resulting in further tenement relinquishments as well as a new tenement application; the Lake Margaret exploration licence north of Mt Lyell. Bass' total ground position was approximately 300 km^2 at the end of June 2010 (Figure 1).

Highlights of exploration work carried out during the year are summarised below.

2.3.2 HELLYER – MT CHARTER CORRIDOR (HMCC) BASS METALS LTD 100%

This geological corridor covers exploration licences EL 24/2004 Bulgobac and EL 48/2003 Mt Block, the Hellyer (CML 103M/87) and Que River (CML 68M/84) mining leases and the Mt Charter retention licence (RL 11/1997) as presented in Figure 4. The exploration strategy was to firstly fingerprint footwall alteration beneath the known resources (Hellyer, Que River, Fossey and Mt Charter) with a spectral and litho geochemical study to determine proximity indicators. Results were then applied to drill core, rock and soil samples away from known mineralisation. All drill holes within the HMCC away from known mineralisation were sampled, with a total of 66,270 infrared and 3,451 low detection limit geochemical samples collected from 186 and 165 drill holes respectively.

Analysis and interpretation of the results indicated that the combination of litho geochemistry and short wavelength spectral data (ASD) was able to define a range of footwall alteration facies. Furthermore, the clear association between a number of the litho geochemical elements and known mineralisation demonstrated the utility of certain elements as pathfinders to mineralisation.

The alteration facies and pathfinder elements combined to highlight nine targets warranting further work, including a number ready for immediate drilling as labelled in Figure 4.

In April 2010 a new generation high power airborne VTEM survey was flown over 50 km^2 of the HMCC comprising 600 km of helicopter flight lines. Subtle conductors detected by the VTEM are currently being followed up.

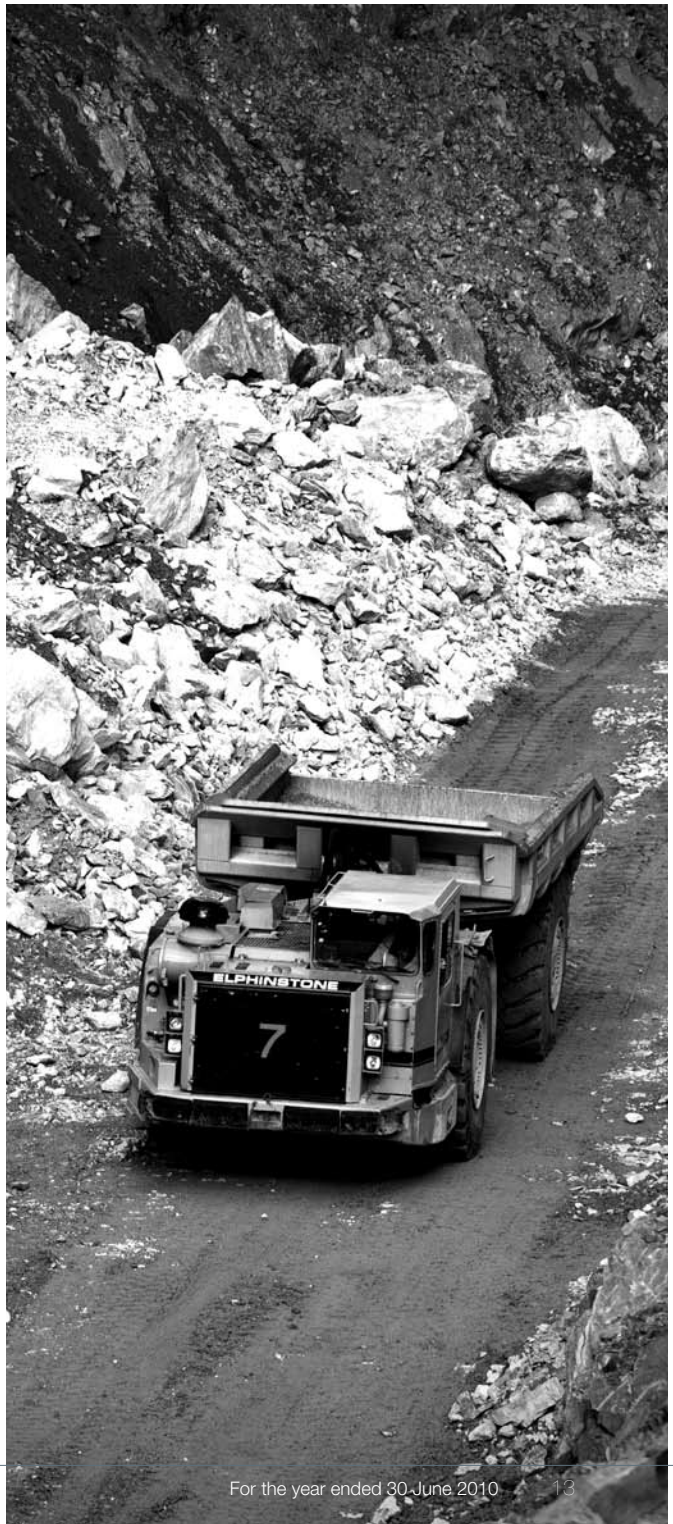
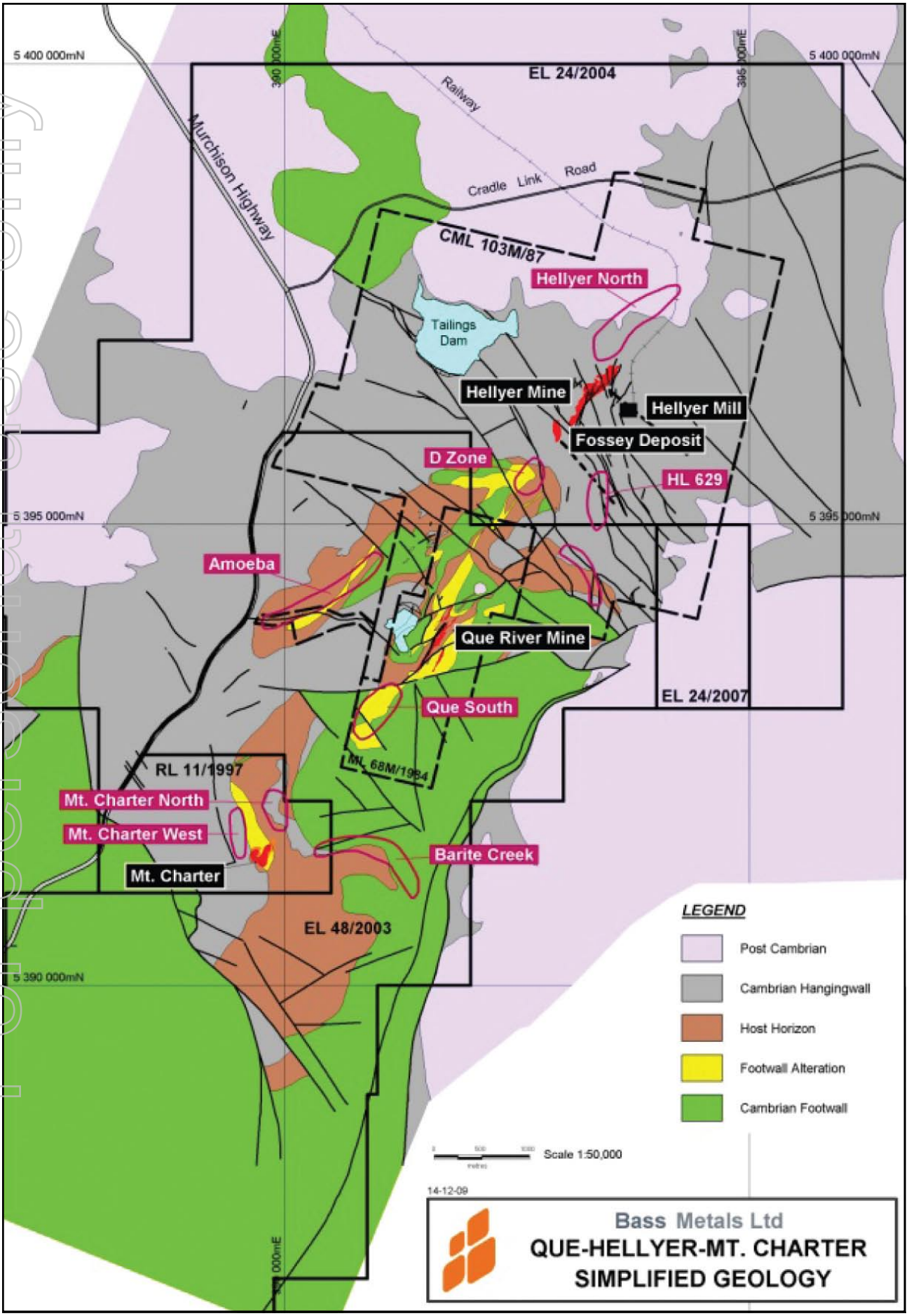


Figure 4: Geology of the Hellyer – Mt Charter Corridor and prospects



a. Hellyer Mine Lease (CML 103M/1987) (100% Bass Metals Ltd)

Exploration on the Hellyer Mine Lease has focussed mainly on testing new targets generated by the new exploration techniques. A program of 5,742 metres of diamond drilling in 16 holes was completed.

At the North Hellyer target a total of 3,176 metres was completed in 5 diamond drill holes. Whilst the first hole (HLD999) did intersect 0.6 metres at 13.9% Zn, 8.7% Pb, 0.1% Cu, 132 g/t Ag and 0.9 g/t Au, the subsequent 4 drill holes failed to delineate any significant zone of in-situ mineralisation. A further hole is planned to test a virtually untested zone to the north east of Hellyer where the projection of the VMS feeder zones is interpreted to occur.

At the Switchback target, two diamond drill holes were completed for 869 metres. Drill hole HED16 intersected 2.35 metres of high grade massive base metal sulphide mineralisation grading 25.0% Zn, 8.7% Pb, 192 g/t Ag and 4.9 g/t Au, within an overall zone of 9.25 metres at 8.5% Zn, 3.3% Pb, 69 g/t Ag and 1.6 g/t Au. The mineralisation consists of clasts of massive base metal sulphides within a mass flow unit. The presence of significant hanging wall and footwall alteration indicates reasonably close proximity to an active VHMS system, and potentially an insitu massive sulphide accumulation. The mineralisation HED16 is not typical of either Hellyer or Que River and the textural, mineralogical and Pb-isotope signatures suggests that a high grade massive sulphide deposit has existed part way between Que and Hellyer and any preserved in situ mineralisation is yet to be discovered.

At Fossey 7 diamond drill holes were completed for 1,326 metres testing for extensions, but no significant mineralisation was intersected.

At the D-Zone target area (refer Figure 5), Bass geologists recently discovered at surface 1.5 to 2.5 metre thick massive pyrite and barite lens in two trenches approximately 100 metres apart whilst following up an extensive soil anomaly in the Ernie's area. This is an exciting development as the mineralisation style is identical to that associated with the Fossey resource and there is no historic drilling in the area. Late in the year two diamond drill holes (HLD1007-1008) were completed for a total of 371 metres and, whilst no significant mineralisation was intersected, it has highlighted the prospectivity of the main D-Zone anomaly to the south east.

The D-Zone target horizon between Hellyer and Que River remains poorly tested with many drill holes wholly within the footwall andesite or the hanging wall dacite; that is, not intersecting the Host Horizon. Bass is now focussing on this area and has identified at least 600 metres of strike which is totally untested while the entire horizon has only been tested at shallow depth, as illustrated in Figure 6.

b. Que River Mine Lease (ML 68M/1987) (Bass Metals Ltd 100%)

A four hole 378 metre diamond drill program (QR 1309, 1310, 1312 and 1313) testing for extensions to the PQ and P3 lenses at Que River was completed with moderate alteration but no base metal sulphide intersections.

Two drill holes QRD1311 (530 metres – abandoned) and QRD 1314 (653 metres) were targeted at a deep DHEM conductor at Que River as detected from QRD1289. A thick zone of strong alteration was intersected with only weak copper mineralisation occurring in stringer veins. No further work is planned on this target.

Figure 5: D-Zone soil anomaly and schematic geology

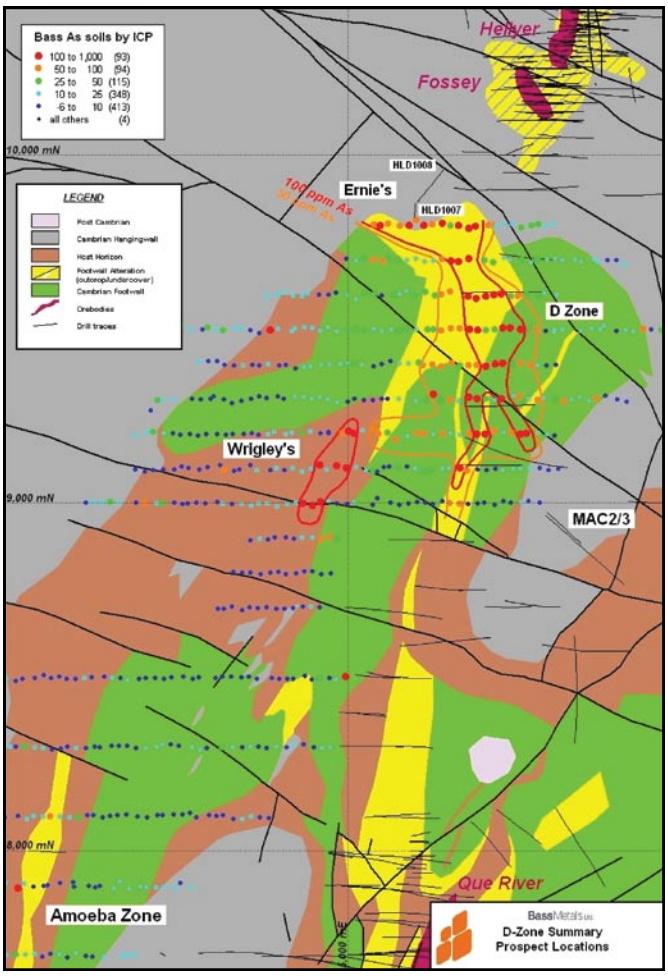
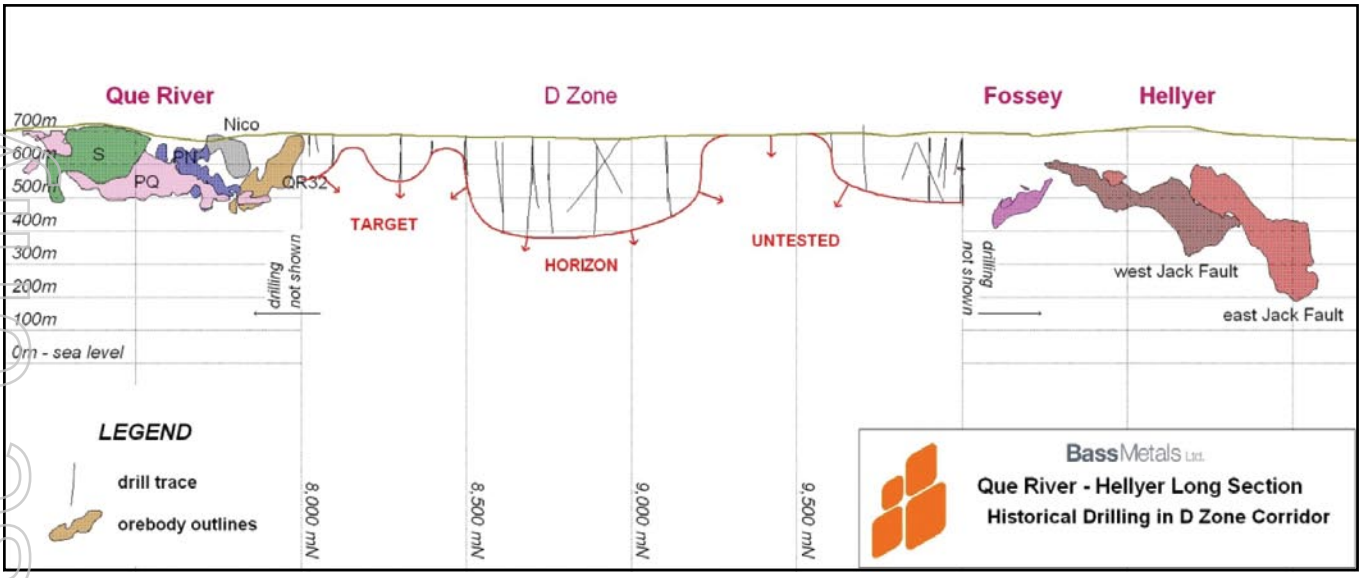


Figure 6: Schematic long section from Que River to Hellyer looking west - *Note significant areas with potential to host large scale deposits.*



2.3.3 REGIONAL EXPLORATION

Bass' regional exploration focus is the Mt Read volcanic belt prospective for large scale, high grade VMS style deposits. Bass' other regional tenements currently comprise tenements prospective for granite intrusion related mineralisation.

a. Lake Margaret-EL28/2009
(Bass Metals Ltd 75% & Clancy Exploration 25%)
Bass was successful in its tender for the Lake Margaret Exploration Licence (EL 28/2009). The 59 km^2 licence covers approximately 12 kilometres of the geological horizon that hosts the nearby Mt Lyell (copper-gold) and Henty (gold) deposits and is interpreted as the equivalent geology to the Host Horizon at the Hellyer-Que River leases.

The tenement is prospective for three styles of mineralisation and Bass intends to apply its new exploration techniques to test for:

- *North Lyell high grade copper deposits.*
  The North Lyell deposits are part of the giant Mt Lyell copper-gold mining district which has been mined for the past 120 years. The North Lyell deposits are a discrete mineralised style with historic recorded production of 4.9 million tonnes grading 5.4% copper, 0.45 g/t gold and 34 g/t silver. A glacial erratic within the Lake Margaret licence contains copper mineralisation and previous rock chip sampling yielded average assays of 5.6% copper, 0.6 g/t gold and 29 g/t silver from three samples.

- *Henty style gold*
  This is a plus 1 million ounce high grade, gold deposit.

- *Polymetallic VMS (Hellyer/Rosebery style) deposits*
  This is the style of deposit that Bass is currently mining and exploring on its Hellyer-Que River Mine leases.

b. Iron-Tin-Tungsten Joint Venture
(Bass Metals Ltd 30% Venture Minerals 70%)
Venture Minerals has earned its 70% interest in the iron-tin-tungsten rights on the Heazlewood (EL 31/2003) and Whyte River (EL36/2003) tenements. Bass has elected to maintain its 30% stake by contributing to the next exploration program. Drilling at the Rocky River South prospect indicated that the magnetite mineralisation became poddy and sulphidic at shallow depth and did not present a direct shipping ore target.

2.4 COMPETENT PERSONS STATEMENTS

2.4.1 EXPLORATION RESULTS

The information within this report that relates to exploration results is based on information compiled by Mr Kim Denwer and Mr Michael Rosenstreich who are both full time employees of the Company. Mr Rosenstreich is a Member of The Australasian Institute of Mining and Metallurgy and Mr Denwer is a Member of the Australian Institute of Geoscientists. They both, individually have sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person(s) as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)" and they consent to the inclusion of this information in the form and context in which it appears in this report.

2.4.2 MINERAL RESOURCES AND ORE RESERVES

The information in this report that relates to the Nico, S lens, QR 32 lenses at Que River and Fossey Mineral Resource estimates is based on information compiled by Mr Steve Richardson who is a fulltime employee of the company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Richardson has sufficient experience which is relevant to the style of mineralisation and type of deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)". Mr Richardson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to the PQ resource estimate at Que River and the Fossey and Que River Reserve estimates is based on information compiled by Mr Tim Akerman who is a full time employee of Mancala and a Member of the Australasian Institute of Mining and Metallurgy. Mr Akerman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves (the JORC Code)". Mr Akerman consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

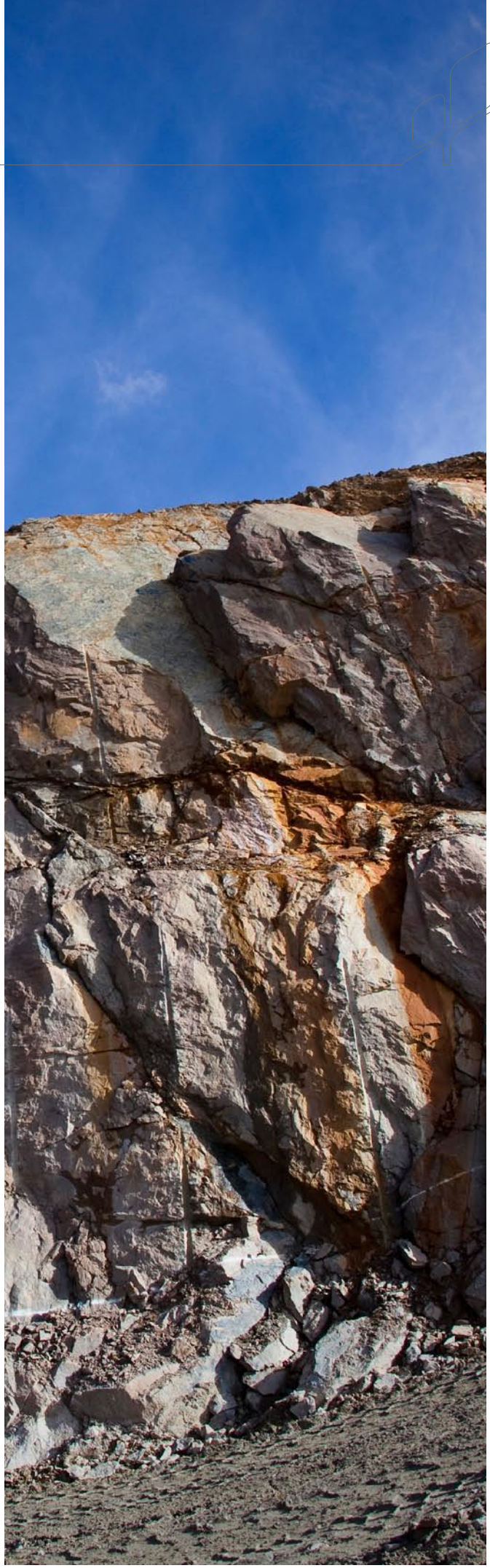
The information in this report that relates to Hellyer Remnant Ore Resource estimate is based on information compiled by Mr Neil Inwood who is a full time employee of Coffey Mining and a Member of the Australasian Institute of Mining and Metallurgy. Mr Inwood has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves (the JORC Code)". Mr Inwood consents to the inclusion in this report of the matters based on the work performed by Coffey Mining in the form and context in which it appears.

The information in this report that relates to the Mt Charter Mineral Resource is based on information compiled by Mr Michael Andrew who is a full-time employee of Snowden Mining Industry Consultants and a Member of the Australasian Institute of Mining and Metallurgy. Mr Andrew has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)". Mr Andrew consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to the Hellyer Tails Mineral Resource estimate is based on information compiled by Mr John Tyrrell who is a full-time employee of AMC Consultants Pty Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Tyrrell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)". Mr Tyrrell consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

2.4.3 TECHNICAL DETAIL

This Report aims to provide a high level summary of various technical aspects of the Company's projects. For more details on the underlying technical parameters the reader is referred to the ASX Reports on the Bass' website, www.bassmetals.com.au.



2.5. APPENDICES: ORE RESERVE AND MINERAL RESOURCE ESTIMATE CHECKLISTS

Appendix 1: Checklist of Assessment and Reporting Criteria- Fossey Mineral Resource and Ore Reserve Estimate

Criteria	Comments
Geological setting	Fossey is a Volcanic Hosted Massive Sulphide deposit comprising a stratiform zone of dominantly baritic mineralisation, associated with areas of high-grade Base Metal Sulphide (BMS) and underlain by minor stringer and disseminated mineralisation.
Tenement and land status	Fossey occurs within Hellyer Mining Lease CML103M/87 and is wholly owned by Bass Metals Ltd.
Drilling	All Bass Metals Ltd holes (27 holes in mineralisation) were diamond-drilled and NTW or NQ-sized core recovered (diameters of 56mm or 47.6mm respectively). Historic holes (14 holes) were also diamond-drilled and are of NQ or BQ core size (47.6mm or 36.4mm diameter respectively). >90% core recovery, averaged over the entire hole, was achieved during Bass Metals Ltd drilling with close to 100% recovery in the ore zones. Similar high recoveries were achieved by historic drilling. The Fossey resource has been drilled on 25m spaced sections oriented mine grid E-W. Drill hole spacing is approximately 20-25m along these section lines.
Logging	All drill holes have been geologically logged using standard Que-Hellyer logging codes. Wet and dry digital photographs of all Bass Metals Ltd core were taken and RQD measurements were recorded at per drill-run intervals (average of 3.0m). For historic holes RQD was also measured and core photographs on slide film were taken.
Sampling	For both Bass Metals Ltd and historic drilling half-core samples were collected at nominal 1.0m intervals or at lithological boundaries. Sampling extended into barren host rocks or sub-grade mineralisation in both the hanging wall and footwall.
Assaying	For Bass Metals Ltd drilling half core samples were submitted to Ammtec Laboratories in Burnie, Tasmania. Samples were analysed for Cu, Pb, Zn, Ag, As, Fe (triple acid digest and AAS), Au (fire assay) and Ba (pressed powder XRF). SG determination was conducted by the laboratory on each assay sample. QA-QC involved standards, blanks and duplicates (one of each every 25 samples). Identification of problems with some Ammtec data led to re-submission of all assay pulp samples, within mineralised zones planned for mining, to Amdel Laboratories in Adelaide, South Australia. At Amdel, modified aqua regia digest was followed by Cu, Pb, Zn, Ag, As, Fe assay by ICP and Au by fire assay. Review by independent experts recommended use of Amdel Cu, Pb, Zn, Ag, As and Fe values and Ammtec Au and Ba assays for resource estimation. Historic assays were carried out on half core at Aberfoyle's company laboratory (now the Ammtec Burnie lab) using pressed powder XRF for Cu, Pb, Zn; AAS for Ag and As and Au by fire assay. Internal laboratory blanks and standards were the only QA-QC for historic holes.
Surveying	All Bass Metals Ltd drill hole collar locations have been measured by a contract surveyor and historic holes by Hellyer Mine surveyor.
Database integrity	The drill hole database used comprises Bass Metals Ltd drilling data recorded on Excel spreadsheet and historical data in ASCII format, both imported into Datamine software. New assay results together with standard and blank results were checked to ensure these were within acceptable limits.
Geological interpretation	The Fossey deposit strikes grid NNW and has the broad cross sectional form of a downward tapering wedge. The deposit comprises three major zones: • Massive Barite Zone - The bulk of the deposit comprises massive barite, which is dominant in the stratigraphically upper areas but also occurs locally in the underlying BMS zone; • BMS Zone - Underlying the massive barite zone is banded to massive BMS. Whilst the boundary of the footwall of the BMS is a sharp contact, the internal boundary between the BMS and Barite zones is a gradational grade boundary; and • Footwall Zone - Commonly underlying the BMS is low to moderate grade base metal mineralisation as disseminations to stringer veins up to several 10's of centimetres thick.
Estimation and modelling techniques	Within the Barite and BMS zones elements were estimated using Ordinary Kriging, restricted to mineralisation domain boundaries. Variography of all elements was studied and grade continuity modelled. Due to the lower number of samples grade was interpolated into the footwall zone and the minor lenses using 3D inverse distance interpolation (power 2).
Cut-off parameters	The outer boundary of the Fossey barite and BMS zones is based on sharp geological contacts. The internal boundary between the two zones is gradational and a boundary of 4% (Pb+Zn) was chosen as the highest possible grade which provided good continuity between holes and from section to section. Immediately underlying the BMS zone several holes contain stringer vein and / or disseminated to semi-massive mineralisation. This domain was wireframed at a cut-off of 5% (Pb+Zn), although at the northern end and on 10000N gold rich and base metal poor material was included at a 2 g/t Au cut-off.
Previous mining	No mining has yet taken place at Fossey.
Mining / metallurgical assumptions	No assumptions were made about mining factors for the resource estimation. For the reserve estimation some dilution (<4.0% Pb+Zn) is internal to the ore body and falls within the coherent stope shapes; this is classified as planned dilution. Planned dilution amounts to some 17k tonnes, or some 2% of the total reserve tonnage. In general, the unplanned dilution has been estimated as a 1.0 to 1.5 metre failure envelope, some of which is mineralised. The average grade and waste of this envelope has been calculated by digitising the void surrounding the planned stope into the geological block model. For the primary stopes unplanned dilution is estimated to average 10%. Where dilution is defined as: Dilution (%) = (volume of unplanned dilution) x 100/(volume of resource tonnage in stope envelope). For the pillars the failure envelope surrounding the ore is assumed to be a little more adverse as the mining of the adjacent stope has already had an impact on the rock mass thus the unplanned dilution is estimated to be 15%. In addition, an allowance has been made for dilution from the cemented aggregate fill (CAF) which forms the northern and southern walls of the stopes. This is estimated as a 0.5 metre failure/overbreak of the CAF walls. In total unplanned dilution for the pillars is estimated to 15%. Dilution grade has been determined by averaging the block model grade within the dilution envelope. Where CAF is the diluents, a zero grade has been applied. The total unplanned waste rock dilution which is contained within the stope reserve amounts to: 55k tonnes at 0.1% Cu, 0.4% Pb, 0.8% Zn, 33 g/t Ag and 0.9 g/t Au at an average density of 3.62. In addition to dilution from stoping activities, development within the resource model has been estimated to attract 5% dilution and a recovery of 95% of the diluted resource volumes. Estimated dilution parameters at Fossey are consistent with the long term averages from Hellyer, where similar stope geometries were adopted and where similar CAF strength was used. Ore body recovery is estimated to be 95% of the diluted resource volumes as both the stopes and pillars are expected to be stable. The net result is an overall dilution (stope, pillars and development) of approximately 12% waste for an estimated recovery of 95%. The resource base underpinning the reserve estimate contains some 8% by mass (60k tonnes), material categorised as Inferred. This material is largely constrained to the periphery of the resource limits. This material has been included in the mine production schedule as a Mining Inventory, but is excluded from the Mineral Reserve Estimate.
Bulk density	Where no bulk density measurement was available (only 34 of 1297 assay samples in the mineralised zones) regression equations were developed to estimate bulk density from assay values. Bulk density was interpolated for each block.
Classification	Classification of resources was undertaken by taking into account data integrity, grade continuity, geological confidence and drill hole spacing.
Audits or reviews	Resource estimate was reviewed by resource consultant specialists during Hellyer Feasibility Study.

Appendix 2: Checklist of Assessment and Reporting Criteria - Que River Pb-Zn Mineral Resource and PQ Ore Reserve Estimate

Criteria	Comments
Geological setting	Three base metal resources occur in separate lenses at Que River; these are PQ, Nico, and QR 32 Lenses. The lenses are examples of Volcanic Hosted Massive Sulphide deposits. Mineralisation style is diverse and includes footwall stringer veins, disseminations, local replacement, epiclastic breccia hosted to massive high-grade base metal sulphide mineralisation.
Tenement and land status	All lenses occur within Que River Mining Lease 68M/84 which is wholly owned by Bass Metals Ltd.
Drilling	The resource estimate at Nico is based on 15 historic diamond drill holes of NQ or BQ core size (47.6mm or 36.4mm diameter respectively). Core recoveries are not available but expected to range from poor in weathered near surface rocks to almost 100% in fresh material. The Nico Lens resource has been drilled on 25m spaced sections oriented mine grid E-W. Drill hole spacing is generally 25m along these section lines. At QR32 all Bass Metals Ltd holes (7 holes within the lens) were diamond-drilled and NTW-sized core recovered (diameter of 56mm). Historic drilling (70 holes) was also diamond-drilled and is of NQ or BQ core size. Core recoveries range from poor in weathered near surface rocks to almost 100% in fresh material. The QR32 Lens resource has been drilled on 12.5m to 25m spaced sections oriented mine grid E-W. Drill hole spacing generally 10-20m along these section lines. At PQ lens drilling comprises Bass Metals Ltd NTW and historic NQ and BQ diamond drilling on a 12.5m by 12.5m spaced pattern. Core recoveries again range from poor in weathered near surface rocks to almost 100% in fresh material.
Logging	All drill holes have been geologically logged using standard Que-Hellyer Mine logging codes. Wet and dry digital photographs of all Bass Metals Ltd core were taken and RQD measurements were recorded at per drill-run intervals (average of 3.0m). For historic holes RQD was also measured but core photographs on slide film were taken only for some holes.
Sampling	Half-core samples were collected at nominal 1.0m intervals or at lithological boundaries. Sampling extends into barren or sub-grade mineralisation in both the hanging wall and footwall.
Assaying	For Bass Metals Ltd drilling half core samples were submitted to Ammtec Laboratories located in Burnie, Tasmania. Samples were analysed for; Cu, Pb, Zn, Ag, As, Fe (triple acid digest and AAS); Au (fire assay) and Ba (pressed powder XRF). SG determination was conducted by the laboratory on each assay sample. QA-QC involved standards (every 25 samples) and blanks (every 25 samples). Historic assays were carried out at Aberfoyle's company laboratory (now the Ammtec Burnie lab) using pressed powder XRF for Cu, Pb, Zn; AAS for Ag and As and Au by fire assay. Internal laboratory blanks and standards were the only QA-QC for historic holes.
Surveying	All Bass Metals Ltd drill hole collar locations have been measured by a contract surveyor and historic holes by Que River Mine surveyor.
Database integrity	The drill hole database used comprises historical data in ASCII format and Bass Metals Ltd drill data recorded on Excel spreadsheet, with both imported into Datamine software. In addition, original 1:500 scale mine geology cross-sections, long projections and level plans were available. New assay results together with standard and blank results were checked to ensure these were within acceptable limits (required before the laboratory job was accepted).
Geological interpretation	All Que River lenses (except S Lens) are stratiform lenses of stringer, disseminated, semi-massive to massive sulphide that lie at the same stratigraphic horizon, with their present geometric position attributed to folding and faulting. PQ Lens is the main ore lens and is sub-vertical but locally folded, with a strike length around 800m, down-dip extent of 225m, maximum thickness of 34m and average thickness of 8m. Nico Lens is a sub-cropping, sub-vertical lens, with a strike length of 175m and down-dip extent of around 140m. Thickness ranges from less than one metre to around 10m. QR32 Lens is a sub-cropping, sub-vertical lens, with a strike length and down-dip extent of around 225m. Thickness ranges from less than one metre to around 15m.
Estimation and modelling techniques	At Nico elements were estimated using 2D inverse distance interpolation (power 2) and an anisotropic search radius was used for each block. At QR32 single structure spherical variograms were prepared and modelled. Continuity axes were inferred from the orientation of the lens and high grade pods. 3D Ordinary Kriging was undertaken, constrained by the interpreted ore zone wire frames. At PQ Lens tonnage and grade estimation has been undertaken using a simple polygonal model with length weighted averages to estimate grades.
Cut-off parameters	A 5% (Pb+Zn) outline has been used historically at Que River to correlate mineralised intercepts, as this was seen as a natural cut-off that provided good continuity, closely following geological boundaries. This cut-off was used to define Nico Lens and PQ Lens Resources. For QR32 Lens assays were converted to an A$ dollar value based on long term average metal prices. Log probability plots of dollar-value suggested a natural boundary at A$70, separating background mineralisation from the ore system and this was used to define the shape of the mineralized zone. Internal geologically logged high grade Base Metal Sulphide pods were also wire framed. Resources were tallied using a block cut-off grade of 5% (Pb+Zn).
Previous mine production	Mining of PQ Lens was carried out from 1980 to 1990. No mining has occurred at Nico Lens, whilst some mining of high grade pods within QR32 Lens was carried out from underground during the 1980's. Details on mined out areas were sourced from an end of mine life report and mine long projections.
Mining factors or assumptions	No assumptions were made about mining for resource calculations. For PQ reserve estimate resources have been modified to obtain the reserves by: • Inclusion of dilution at zero grade at a rate of 10% of the resource tonnage; • Application of a 90% recovery factor to the diluted resource; Having been subject to mine design procedures.
Metallurgical factors	No assumptions have been made about metallurgical treatment.
Bulk density	At Nico and QR32 Lenses some assays from early holes do not have density data. Using the available measured density data, a multiple linear regression was developed to estimate density for these samples from Cu, Pb and Zn grades.
Classification	Classification of resources was undertaken by taking into account data integrity, grade continuity, geological confidence and drill hole spacing.
Audits or reviews	No audits or reviews have been completed.

Appendix 3: Checklist of Assessment and Reporting Criteria - Hellyer Remnant Mineral Resource Estimate

Criteria	Comments
Geological setting	Hellyer is a VMS style deposit, occurring as polymetallic massive sulphide mineralisation within a mafic – felsic volcano-sedimentary sequence.
Tenement and land status	Hellyer occurs within CML 103M and is 100% owned by Hellyer Mill Operations a wholly owned subsidiary of Bass Metals Ltd.
Drilling	Historic drilling through the Hellyer deposit is predominantly on a 20 metre by 20 metre spacing with some 10 metre by 10 metre infill. The local mine grid is orientated approximately 022° AMG. A total of 957 diamond drill holes and 1,548 channel samples are present in the Hellyer database and define the Hellyer mineralisation. Diamond drilling took place over the deposit from 1983 to 2000. Of these, 453 diamond drill holes and 251 channel samples were used in this resource estimate.
Logging	All drill holes have been geologically logged using standard Que-Hellyer Mine logging codes.
Sampling	Half-core samples were collected at nominal 1.0m intervals or at lithological boundaries. Sampling extends into barren or sub-grade mineralisation in both the hanging wall and footwall.
Assaying	No QAQC data was available, and sources suggest that no QAQC work was done apart from internal laboratory checks.
Surveying	All holes were measured by a Hellyer Mine surveyor.
Database integrity	The supplied database contained some inconsistencies: • Duplicated collar entries with different co-ordinates; • Duplicated surveys with different measurements; • Inconsistencies with depths (assay/collar/survey); • Duplicated samples and grades assigned to different holes; and • Overlapping intervals. Most, though not all, of the inconsistencies fell within the mined-out void. Comments, changes and deletions were entered into a spreadsheet that was passed to the client for comment before the resource estimation was made.
Geological interpretation	Confidence in the geological interpretation at Hellyer is high. Three geological domains were distinguished: • Stringer; • BMS; and • Remnant pillars and surrounds. These were further subdivided based on position west or east of the Jack Fault, and on higher or lower grade within those zones. In all 36 separate wireframe solids were produced.
Estimation and modelling techniques	Statistical analyses on 1 metre composites were completed. Variography and search neighbourhood analysis were also conducted as input into grade estimation. The method used to obtain grade estimates for Pb, Zn and Cu was Ordinary Kriging on accumulated grade times density, with grade back- calculated following estimation. Density, Au and Ag was estimated using Ordinary Kriging.
Cut-off parameters	No cut-off grade was applied to the base metal sulphide zones as this mineralisation was defined geologically. The other mineralised zones ('Stringer' and 'Remnant Pillar and Surrounds') were modelled based upon a combination of a nominal 1% combined Pb + Zn grade and logged geology.
Mining / metallurgical assumptions	No assumptions were made about mining or metallurgical factors.
Previous mine production	Underground mining commenced on the Hellyer deposit in 1986 and stopped in 2000. 16.9 mt @ 0.4% Cu, 7.2% Pb, 13.8% Zn, 167 g/t Ag and 2.5 g/t Au. There is a good model of the voids, which generally ties in well with the working plans generated at the time of mining. However, no allowance has been made for possible fracturing and spoiling at open faces. The wireframes were modelled to the outer limit of the void model, but it is quite possible that this face has migrated outwards, and that the modelled wireframe volume is over-estimated.
Bulk density	Specific gravity (air pycnometer) measurements were made for the bulk of the samples. The relative bulk density (specific gravity) which is assumed to be equivalent to dry insitu bulk density has been estimated by Ordinary Kriging based upon the air pycnometer measurements reported from the samples. The density used for reporting has been multiplied by a factor of 0.95 to take into account the effect of pore spaces.
Classification	Resource classification was developed from the confidence levels of key criteria including drilling methods, geological understanding and interpretation, sampling, data density and location, grade estimation and quality. Historic mining (voids and drives) have been depleted from the resource model. The availability of good quality working plans dating back to the time of the Hellyer mine operations and discussions with several former senior technical employees at that time also contributed significantly to this process.

Appendix 4: Checklist of Assessment and Reporting Criteria - S lens, Que River Mineral Resource Estimate

Criteria	Comments
Geological setting	S Lens is a Volcanic Hosted Massive Sulphide deposit. Mineralisation comprises massive to stringer base metal sulphides.
Tenement and land status	S Lens occurs within Que River Mining Lease 68M/84 and is wholly owned by Bass Metals Ltd.
Drilling	All Bass Metals Ltd holes (22 holes) were diamond-drilled and NTW-sized core recovered (diameter of 56mm). Historic drilling (92 holes) was also diamond-drilled and is of NQ or BQ core size (47.6mm or 36.4mm diameter respectively). An average 94% core recovery was achieved during Bass Metals Ltd drilling. Similar high recoveries were achieved by historic drilling. The S Lens resource has been drilled on 12.5m to 25m spaced sections oriented mine grid E-W. Drill hole spacing is approximately 10-20m along these section lines.
Logging	All drill holes have been geologically logged using standard Que-Hellyer mine logging codes. Wet and dry digital photographs of all Bass Metals Ltd core were taken and RQD measurements were recorded at per drill-run intervals (average of 3.0m). For historic holes RQD was also measured and core photographs on slide film were taken for all holes except the most recent 34 holes.
Sampling	For Bass Metals Ltd and historic drilling half-core samples were collected at nominal 1.0m intervals or at lithological boundaries. Sampling extended into barren or sub-grade mineralisation in both the hangingwall and footwall.
Assaying	For Bass Metals Ltd drilling half core samples were submitted to Ammtec Laboratories located in Burnie, Tasmania. Samples were analysed for; Cu, Pb, Zn, Ag, As, Fe (triple acid digest and AAS); Au (fire assay) and Ba (pressed powder XRF). SG determination was conducted by the laboratory on each assay sample. QA-QC involved standards (every 25 samples) and blanks (every 25 samples). Historic assays were carried out at Aberfoyle's company laboratory (now the Ammtec Burnie lab) using pressed powder XRF for Cu, Pb, Zn; AAS for Ag and As and Au by fire assay. Internal laboratory blanks and standards were the only QA-QC for historic holes.

Appendix 4: Checklist of Assessment and Reporting Criteria - S lens, Que River Mineral Resource Estimate (Continued)

Surveying	All Bass Metals Ltd drill hole collar locations have been measured by a contract surveyor and historic holes by Que River Mine surveyor.
Database integrity	The drill hole database used comprises historical data in ASCII format and Bass Metals Ltd drill data recorded on Excel spreadsheet, with both imported into Datamine software. In addition, original 1:500 scale mine geology cross-sections and long projection were available. New assay results together with standard and blank results were checked to ensure these were within acceptable limits (required before the laboratory job was accepted).
Geological interpretation	S Lens is an outcropping, sub-vertical lens of stringer, disseminated, semi-massive to locally massive sulphide, with a strike length 300m and down-dip extent of around 200m. Thickness ranges from less than one metre to over 12m and averages 4.5m. Ore contacts are occasionally sharp but more often are diffuse and grade controlled. The lens is strongly zoned, from dominantly copper rich in the south (Copper Zone) to relatively Zn-Pb rich in the north (Zinc Zone). S Lens sulphide mineralogy is relatively simple, comprising sphalerite - galena ± chalcopyrite (Zinc Zone) and chalcopyrite (Copper Zone).
Estimation and modelling techniques	Multiple elements were estimated using 2D inverse distance interpolation (power 2). An anisotropic search radius was used for each block.
Cut-off parameters	Historically a 5% (Pb+Zn) outline has been used at Que River to correlate mineralised intercepts. This was seen as a natural cut-off that provided good continuity, closely following geological boundaries. However, S Lens mineralisation is more variable in style. Although the 5% (Pb+Zn) outline was generally successful in the northern, Zn rich, part of S Lens, it was often necessary elsewhere to use geology, principally the logged massive pyrite boundary, or the 1% Cu contour where stringer and disseminated Cu mineralisation extends into altered volcanics.
Previous mine production	Some underground mining of the Zinc Zone was carried out during the late 1980's. Details on mined out areas were sourced from an end of mine life report and discussions with the ex-Que River Mine Captain, who supervised the mining of S Lens.
Mining / metallurgical assumptions	No assumptions were made about mining or metallurgical factors.
Bulk density	Some assays from early holes do not have density data (88 of 983 samples within the ore lens). Using the available air pycnometer density data, a multiple linear regression was developed to estimate density for these samples from Cu, Pb and Zn grades.
Classification	Classification of resources was undertaken by taking into account data integrity, grade continuity, geological confidence and drill hole spacing.
Audits / reviews	No audits or reviews have been completed.

Appendix 5: Checklist of Assessment and Reporting Criteria - Hellyer Tails Mineral Resource Estimate

Criteria	Comments
Geological setting	Hellyer is a VMS style deposit occurring as polymetallic massive sulphide mineralisation within a mafic–felsic volcano-sedimentary sequence. The deposit was mined from 1985 to 2000 with production of 16.9 mt @ 0.4% Cu, 7.2% Pb, 13.8% Zn, 167 g/t Ag and 2.5 g/t Au. The Hellyer Tails Mineral Resource estimate relates to the tailings from this production.
Previous calculations	AMC estimated the Mineral Resource of the Hellyer tailings in 2005. AMC was requested by Bass Metals Ltd to restate the Hellyer Tailings Mineral Resource estimate in 2009, allowing for depletion of tailing for reprocessing since 2005.
Tenement and land status	Hellyer occurs within CML 103M and is 100% owned by Hellyer Mill Operations Pty Ltd, a wholly owned subsidiary of Bass Metals Ltd.
Drilling	Total hole drill samples were collected in June 1998 (61 holes) and July 2000 (53 holes) programs. Vibracore drilling techniques were used.
Logging	No geological logging of the drill cuttings was undertaken. This is understandable given the type of material in the deposit.
Sampling	Samples were collected at 2 metre intervals in the 1998 program and 6.5 metre intervals in the 2000 program. Drill holes were composited to one sample down hole for length weighting during grade estimation.
Assaying	Samples were analysed by AMMTEC Burnie Research Laboratory (BRL), Au was determined by fire assay and Cu, Pb, Zn and Ag were determined using XRD determination. Only minor QA-QC was completed.
Database integrity	Routine validation was carried out by AMC.
Estimation and modelling techniques	A block model of the tailings was developed using predeposition (of tailings) topography and tailings surfaces determined in 1998, 2000 and 2009. Grades were estimated into the model using Ordinary Kriging. Grade in the Shale Pit and Western Arm areas (retreated tailings) were calculated by metallurgical balance.
Cut-off parameters	The Hellyer Tails Mineral Resource statement and classification refers to tonnes and grade above cut-offs of 1.65% Pb, 2.04% Zn, 0.10% Cu, 76.83 g/t Ag and 2.28 g/t Au.
Mining / metallurgical assumptions	No assumptions were made about mining or metallurgical factors.
Bulk density	A bulk density of 1.93tm^{-3} was assigned to insitu tailings. Tailings that had been retreated were assigned a bulk density of 1.64tm^{-3}.
Classification	A numeric code, RESCODE, was set in the model, with values of one, two or three, corresponding to Measured Resource, Indicated Resource and Inferred Resource respectively. The model has been classified in a global sense and the classification is only intended to be valid if the tailings are mined in their entirety. The model has been classified as Measured Resource in all areas where the drilling density was sufficient to allow an estimate of grade in the first pass. This equates to most of the tailings dam that was drilled in 2000. Kriging efficiency testing helped to confirm the classification in this area. The model has been classified as Indicated Resource at the peripheries of the drilling, as there was greater uncertainty in the continuity of grade. Four areas of the model have been classified as Inferred Resource, as there was uncertainty in grade continuity as well as uncertainty in the volume represented by the wireframes in these areas. The areas in question are the western edge of the model in the areas marked as 'shale borrow pits', the north eastern corner of the model where the tailings have inundated a shallow creek and tailings in the Western Arm dam and Shale Pit.

Appendix 6: Checklist of Assessment and Reporting Criteria - Mt Charter Mineral Resource Estimate

Criteria	Comments
Geological setting	The Mt Charter deposit is a variety of VMS deposit. Mineralisation is massive to stockwork auriferous and argentiferous barite veins.
Tenement and land status	The Mt Charter deposit occurs within retention licence RL 11_1997 and is wholly owned by Bass Metals Ltd.
Drilling	All Bass Metals Ltd holes have been diamond-drilled and NTW-sized core recovered (diameter of 56mm). Historic drilling was also diamond-drilled and of NQ core size (47.6mm diameter). An average of 92% core recovery was achieved. The Mt Charter resource has been drilled on 50m spaced sections oriented WNW/ESE. Drill hole spacing is approximately 50m along these section lines.
Logging	All drill holes were geologically logged using the same nomenclature as pre- Bass Metals Ltd drilling (Aberfoyle log codes). Wet and dry digital photographs of all cores were systematically taken and RQD measurements were recorded at per drill-run intervals (average of 3.0m).
Sampling	Half-core samples were collected at 1.0m interval unless there were major lithological boundaries which warranted more detailed sampling.
Assaying	Half core samples were submitted to Ammtec-Burnie Research Laboratories located in Wivenhoe, Tasmania. Samples were routinely analysed for Au (fire assay); Ag, Pb, Zn, Cu, As, Fe (triple acid digest and AAS); Ba (pressed powder XRF). SG determination was conducted by the laboratory on the 1m composite samples. QA-QC involved standards (every 25 samples) and blanks (every 25 samples) and a selection of samples were analysed by Genalysis (Perth) for comparison.
Surveying	All drill hole collar locations have been measured by a contract surveyor.
Database integrity	The responsible project geologist reviewed and checked new results and plots standard and blank results to ensure these are within acceptable limits. This is required before the laboratory job is accepted. The drill hole data is stored in an Excel spreadsheet.
Geological interpretation	The Mt Charter mineralisation comprises a barite-rich vein package which has a NNE trending enveloping surface and sub-vertical/steep westerly dip. The mineralized veins have a NNW strike and are sub-vertical.
Estimation and modelling techniques	Multiple elements were estimated using Ordinary Kriging. Ordinary Kriging restricted to mineralisation and homogeneous domain boundaries. The change of support process is based on multi-element conditional simulation. Variography of all elements studied and grade trends modelled.
Cut-off parameters	A cut-off grade of 0.7 g/t Au was applied.
Previous mine production	No previous mining has taken place on the Mt Charter deposit.
Mining factors or assumptions	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 5m by 10m by 5m.
Metallurgical factors	No assumptions have been made about metallurgical treatment.
Bulk density	Average bulk density values for stratigraphic domains calculated and applied to estimated blocks.
Classification	Snowden and Bass Metals Ltd have completed classification by taking into account data integrity, grade continuity, geological confidence and drill hole spacing.
Audits or reviews	No audits or reviews have been completed.

3

CORPORATE GOVERNANCE

3.1 INTRODUCTION

Corporate Governance Statement

Bass Metals Ltd ("Bass" or "the Company") has adopted a Corporate Governance Manual which forms the basis of a comprehensive system of control and accountability for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity; pursuing the true spirit of corporate governance commensurate with the Company's needs. A summary of the Company's corporate governance policies and procedures is included in this Statement.

The Company's corporate governance policies and procedures are in line with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition ("the ASX Principles & Recommendations"). The Company has followed the Principles & Recommendations where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where, after due consideration by the Board, the Company's corporate governance practices depart from the Principles & Recommendations, the Board has fully disclosed the departure and the reason for the adoption of its own practice, in compliance with the "if not, why not" exception reporting regime.

Further information about the Company's corporate governance practices including the information on the Company's charters, code of conduct and other policies and procedures is set out on the Company's website www.bassmetals.com.au.

Role of the Board and Management

The role of the Board is to provide leadership for and supervision of the Company's senior management. The Board provides the strategic direction of the Company and regularly measures the progression by senior management of that strategic direction.

Those who have the opportunity to materially influence the integrity, strategy and operation of the Company and its financial performance are considered to be part of senior management.

The role of senior management is to progress the strategic direction provided by the Board. In particular, the Managing Director is responsible for the day-to-day activities of the Company in advancing the strategic direction. Senior management is responsible for supporting the Managing Director and to assist the Managing Director implement the running of the general operations and financial business of the Company, in accordance with delegated authorities for expenditure levels and materiality thresholds in place.

The Board is collectively responsible for promoting the success of the Company by:

- overseeing the Company, including its control and accountability systems;
- appointing the Managing Director, or equivalent, for a period and on terms as the Directors see fit and, where appropriate, removing the Managing Director, or equivalent;
- ratifying the appointment and, where appropriate, the removal of senior executives, including the Chief Financial Officer (or equivalent) and the Company Secretary;
- ensuring the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is reviewed in accordance with the Company's Nomination Committee Charter;
- approving the Company's policies on risk oversight and management, internal compliance and control, Code of Conduct, and legal compliance;
- satisfying itself that senior management has developed and implemented a sound system of risk management and internal control in relation to financial reporting risks and reviewed the effectiveness of the operation of that system;
- assessing the effectiveness of senior management's implementation of systems for managing material business risk including the making of additional enquiries and to request assurances regarding the management of material business risk, as appropriate;
- monitoring, reviewing and challenging senior management's performance and implementation of strategy;
- ensuring appropriate resources are available to senior management;
- approving and monitoring the progress of major capital expenditure, capital management, acquisitions and divestitures;
- approving the annual budget of the Company;
- monitoring the financial performance of the Company;
- ensuring the integrity of the Company's financial and other reporting through approval and monitoring;
- providing overall corporate governance of the Company, including conducting regular reviews of the balance of responsibilities within the Company to ensure division of functions remain appropriate to the needs of the Company;
- appointing the external auditor and the appointment of a new external auditor when any vacancy arises, provided that any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company;
- engaging with the Company's external auditors;
- monitoring compliance with all of the Company's legal obligations, such as those obligations relating to occupational health and safety, the environment, native title and cultural heritage; and
- make regular assessment of whether each Non-executive Director is independent in accordance with the Company's Policy on Assessing the Independence of Directors.

The Board may not delegate its overall responsibility for the matters listed above. However, it may delegate to senior management the responsibility of the day-to-day activities in fulfilling the Board's responsibility provided those matters do not exceed the Company's delegated authorities for expenditure levels and materiality thresholds in place.

> "The Board is committed to administering the policies and procedures with openness and integrity; pursuing the true spirit of corporate governance commensurate with the Company's needs."

Directors are encouraged to request information from senior management where they consider such information necessary to make informed decisions.

The Managing Director is responsible for running the affairs of the Company under delegated authority from the Board and to implement the policies and strategy set by the Board. The Managing Director is also responsible for appointing and, where appropriate, removing senior executives, including the Chief Financial Officer (or equivalent) and the Company Secretary, with the approval of the Board.

The Chief Financial Officer is responsible for managing the financial and administration controls across the Company, including the overall management and the preparation of statutory reporting for the Group.

The Chair is responsible for evaluation of the Board and, where deemed appropriate, Board committees and individual Directors. The Company has conducted an annual performance evaluation of the Board during the financial year which involved completion of a questionnaire by each Board member and collation and review of the results by the Board. The Non-executive Directors undertook an annual performance and remuneration review of the Managing Director during the financial year. The Managing Director is reviewed against a number of qualitative and quantitative factors including key performance indicators. Senior executives also undertook annual performance and remuneration reviews conducted by the Managing Director. Senior executives are reviewed against a number of qualitative and quantitative factors relevant to their role and position.

A summary of the Board Charter, a statement of matters reserved for the Board and senior management is available on the Company's website.

Composition of the Board

The Company has adopted a Policy on Assessing the Independence of Directors which is consistent with the guidelines detailed in the ASX Principles & Recommendations.

The Company's Board Charter includes guidelines for assessing the materiality of matters which are summarised below:

- Balance sheet items are material if they have a value of more than 5% of pro-forma net asset;
- Profit and loss items are material if they will have an impact on the current year operating result of 5% or more;
- Items are also material if (i) they impact on the reputation of the Company, (ii) they involve a breach of legislation or may potentially breach legislation, (iii) they are outside the ordinary course of business, (iv) they could affect the Company's rights to its assets, (v) if accumulated they would trigger the quantitative tests above, (vi) they involve a contingent liability that would have a probable effect of 5% or more on balance sheet or profit and loss items or (vii) they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 5%; and
- Contracts will be considered material if (i) they are outside the ordinary course of business, (ii) they contain exceptionally onerous provisions, (iii) they impact on income or distribution in excess of the quantitative tests above, (iv) any default, should it occur, may trigger any of the quantitative or qualitative tests above, (v) they are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests above, (vi) they contain or trigger change of control provisions, (vii) they are between or for the benefit of related parties or (viii) they otherwise trigger the quantitative tests above.

The current Board consists of a Non-executive Chairman (Mr Don Boyer), two Non-executive Directors (Mr Craig McGown and Mr Tony Treasure) and one Executive Director (Mr Michael Rosenstreich), who also performs the role of Managing Director. A profile of each Director containing their date of appointment, skills, experience and expertise is set out in the Directors' Report.

The Board considers that Mr Don Boyer (Chairman) and Mr Craig McGown are independent based on the criteria for independence included in the Company's Policy on Assessing the Independence of Directors and the ASX Principles & Recommendations. When applying the Company's Policy on Assessing the Independence of Directors and the ASX Principles & Recommendations, Mr Tony Treasure is not considered an independent Director due to his direct association with the major shareholder of the Company.

As only two of the four Directors are independent, there is not a majority of independent Directors on the Board. 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. However it is noted 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.

The Company has a Policy and Procedure for Selection and (Re) Appointment of Directors.

A minimum of three Directors is required under the Company's Constitution. Any changes to the composition of the Board will be determined by the Board, subject to any applicable laws and the resolutions of Shareholders. The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board. All Directors (except the Managing Director) are required by the Constitution of the Company to submit themselves for re-election at regular intervals and at least every three years.

New Directors are provided with a letter of appointment which sets out the key terms and conditions of their appointment and undergo a formal Induction Program.

A summary of the Company's Policy and Procedure for Selection and (Re)Appointment of Directors is available on the Company's website.

Conflicts of Interest

In accordance with the Corporations Act, Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. Where the Board believes that a significant conflict exists, the Director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered.

Statement Concerning Availability of Independent Professional Advice

The Board acknowledges the need for independent judgement on all Board decisions, irrespective of each individual Director's independence.

To assist Directors with independent judgement, it is the Board's Policy that if a Director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a Director then, provided the Director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Committee

Given the present size of the Company, the whole Board acts as the Nomination Committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. To assist the Board to fulfil its function as the Nomination Committee, the Board has adopted a Nomination Committee Charter. A summary of the Nomination Committee Charter is available on the Company's website.

Remuneration Committee

Given the present size of the Company, the whole Board acts as the Remuneration Committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate Remuneration Committee. To assist the Board to fulfil its function as the Remuneration Committee, the Board has adopted a Remuneration Committee Charter. All matters of remuneration are determined by the Board pursuant to the Corporations Act and the ASX Listing Rule requirements, especially in respect of related party transactions. That is, no Directors participated in any deliberation regarding his own remuneration or related issues.

The Company has a Remuneration Policy adopted by the Board. Remuneration of Directors and senior management is determined with regard to payments made by other companies of similar size and industry and in accordance with the skills and experience of the particular person. Details of remuneration of Directors and Key Management Personnel are disclosed in the Remuneration Report.

There are no termination or retirement benefits for Non-executive Directors (other than for superannuation).

Pursuant to the Remuneration Policy, executives are prohibited from entering into transactions or arrangements which limit the economic risk of participating in unvested entitlements.

A copy of the Remuneration Committee Charter is available on the Company's website.

Audit Committee

During the 30 June 2010 financial year, the role of the Audit Committee was carried out by the full Board. However, it is noted that the Board established a separate Audit Committee on 01 July 2010. A formal Audit Committee Charter has been adopted, a copy of which is available on the Company's website.

The Audit Committee established on 01 July 2010 is comprised of Mr Craig McGown (Chairman of the Committee and Non-Executive Director of the Company), Mr Don Boyer (Non-Executive Director and Chairman of the Board of Directors), Mr Tony Treasure (Non-Executive Director of the Company) and Ms Susan Hunter (Company Secretary of the Company). No Executive Directors are members of the Committee and the Chairman of the Committee is an independent Non-Executive Director who is not the chairman of the Board. A profile of each Director and the Company Secretary containing their date of appointment, skills, experience and expertise is set out in the Directors' Report.

The Company has a Policy for the Selection, Appointment and Rotation of External Auditors which is available on the Company's website. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Any appointment made by the Board must be ratified by shareholders at the next annual general meeting of the Company.

Candidates for the position of external auditor of the Company must be able to demonstrate complete independence from the Company and an ability to maintain independence through the engagement period. Further, the successful candidate must have arrangements in place for the rotation of the audit engagement partner on a regular basis.

Other than the mandatory criteria mentioned above, the Board may select an external auditor based on criteria relevant to the business of the Company such as experience in the industry in which the Company operates, references, cost and any other matters deemed relevant by the Board.

The Audit Committee reviews the performance of the external auditor on an annual basis.

Integrity of Financial Reporting

The Company's Managing Director and Chief Financial Officer have provided a declaration to the Board in writing pursuant to section 295A of the Corporations Act and the ASX Listing Rules that:

- the consolidated financial statements of the Company and its controlled entities for each half and full year present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with accounting standards;
- the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

Risk Management

The operation of internal controls and the measurement of risk are important in the creation and preservation of shareholder value and is a high priority for the Board and management. A summary of the Company's Risk Management Policy is available on the Company's website. Responsibility for control and risk management is delegated to the appropriate level of management with the Managing Director having ultimate responsibility to the Board for the risk management and control framework.

The Company is committed to the identification, monitoring and management of risks associated with its business activities and has established various financial and operational reporting procedures and other internal control and compliance systems in this regard. These include the following:

- the Managing Director is required to report on the management of risk as a standing agenda item at each Board meeting. This involves the tabling of a Risk Register which is actively monitored and updated by management;
- delegated authority limits exist in respect of financial expenditure and other business activities;
- a comprehensive insurance program is undertaken;
- internal controls exist to safeguard the Company's assets and ensure the integrity of business processes and reporting systems;
- annual budgeting and monthly reporting systems for business operations is undertaken which enable the monitoring of progress against performance targets and the evaluation of trends;
- appropriate due diligence procedures are undertaken for acquisitions and divestments; and
- disaster recovery procedures and crisis management systems exist.

The Company's Managing Director and Chief Financial Officer have provided a declaration that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. Additionally, the Managing Director and Chief Financial Officer has stated that this declaration is based on a sound system for risk management and internal compliance and control which implements the policies adopted by the Board and the Company's risk management and internal compliance and control framework is operating efficiently and effectively in all material respects.

The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received assurance from the Managing Director that the Company's management of its material business risks are effective.

Hedge Committee

To assist in the execution of its responsibilities, the Board has established a Hedge Committee. The primary role of the Hedge Committee is the monitoring, assessment and management of the Company's financial market exposures.

The Committee is comprised of Mr Craig McGown (Chairman of the Committee), Mr Michael Rosenstreich and Mr Ben Hamilton. Mr McGown is an independent Non-executive Director, Mr Rosenstreich is the Managing Director and Mr Hamilton is the Chief Financial Officer of the Company. Details of the attendance at the Hedge Committee meetings are set out in the Directors' Report.

The Hedge Committee provides recommendations to the Board in relation to the Company's financial markets risk management approach and the use of a range of hedging strategies as outlined within the Company's Hedging Policy; which is approved by the Board.

Continuous Disclosure

The Board has adopted a Policy on Continuous Disclosure. A summary of the Policy on Continuous Disclosure is available on the Company's website.

The Policy on Continuous Disclosure sets out the obligations of Directors, officers and employees to ensure the Company satisfies its continuous disclosure obligations. It provides information as to what a person should do when they become aware of information which could have a material effect on the Company's securities. The Policy also sets out the consequences of non compliance and a person's confidentiality obligations.

All relevant information provided to ASX in compliance with the continuous disclosure requirements of the Corporations Act and ASX Listing Rules is promptly posted on the Company's website.

Compliance Procedures

The Board has also adopted Compliance Procedures to assist it to comply with the Corporations Act and ASX Listing Rule disclosure requirements. A summary of the Compliance Procedures are available on the Company's website.

Under the Compliance Procedures, Responsible Officers are appointed who are primarily responsible for ensuring the Company complies with its disclosure obligations. The Managing Director and Company Secretary are the Responsible Officers of the Company. The duties of the Responsible Officers are set out in the Compliance Procedures. The Compliance Procedures provide guidelines as to the type of information that needs to be disclosed and encourages thorough recording of disclosure decision making. The Compliance Procedures contain information on avoiding a false market, safeguarding confidentiality of corporate information, and information on external communication for the purpose of protecting the Company's price sensitive information. The Compliance Procedures also provide guidance relating to potential disclosure material.

Communication to Shareholders

The Company has a Shareholder Communications Policy that promotes effective communication with shareholders and encourages presentation of information to shareholders in a clear, concise and effective manner. The Board aims to ensure that Shareholders are informed of all major developments affecting the Company's state of affairs. Information will be communicated to Shareholders through its annual report, annual general meeting, half-yearly results and quarterly activities and cash flow announcements, ASX announcements and the Company's website.

The Company considers general meetings to be an effective means to communicate with shareholders and encourages shareholders to attend the meeting. Information included in the notice of meeting sent to shareholders is presented in a clear, concise and effective manner.

The Shareholder Communications Policy is available on the Company's website.

Code of Conduct

The Board has adopted a Code of Conduct which requires Directors, management and employees to deal with the Company's customers, suppliers, competitors and each other with honesty, fairness and integrity and to observe the rule and spirit of the legal and regulatory environment in which the Company operates. The Code prohibits Directors, management and employees from involving themselves in situations where there is a real or apparent conflict of interest between them as individuals and the interest of the Company. The Company also has a policy on financial and other inducements. Directors, management and employees are required to respect the confidentiality of all information of a confidential nature acquired in the course of the Company's business. Directors, management and employees must protect the assets of the Company to ensure availability for legitimate business purposes. The Company acknowledges its responsibility to shareholders, the community, and the individual. The Company uses its best endeavours to ensure a safe work place and maintain proper occupational health and safety practices.

A breach of the code is subject to disciplinary action which may include termination of employment.

A summary of the Code of Conduct is available on the Company's website.

Ethical Standards

The Board considers that the success of the Company will be enhanced by a strong ethical culture within the Group. Accordingly, the Board is committed to the highest level of integrity and ethical standards in all business practices. Employees must conduct themselves in a manner consistent with current community and corporate standards and in compliance with all legislation.

Policy for Trading in Company Securities

The Policy for Trading in Company Securities adopted by the Board prohibits trading in shares by a Director, officer or employee during certain blackout periods (in particular, prior to release of interim or annual results) except in exceptional circumstances and subject to procedures set out in the Policy.

Outside of these blackout periods, a Director, officer or employee must first obtain clearance in accordance with the Policy before trading in shares. For example:

- a Director must receive clearance from the Chairman before he may buy or sell shares;
- if the Chairman wishes to buy or sell shares he must first obtain clearance from the Managing Director; and
- other officers and employees must receive clearance from the Managing Director before they may buy or sell shares.

Directors must advise the Company Secretary of any transactions conducted by them in securities of the Company as soon as reasonably possible after the date of the change and in any event no later than three business days after the date of the change.

Directors, officers and employees must observe their obligations under the Corporations Act not to buy or sell shares if in possession of price sensitive non-public information and that they do not communicate price sensitive non-public information to any person who is likely to buy or sell shares or communicate such information to another party. A summary of the Policy for Trading in Company Securities is available on the Company's website.

3.2 CORPORATE GOVERNANCE DISCLOSURES

ASX Listing Rule Disclosure – Exception Reporting

As required by ASX Listing Rules, the following table discloses the extent to which the Company has not followed the best practice recommendations set by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (2nd Edition).

Principle No	Best Practice Recommendation	Compliance	Reasons for Non-compliance
2.1	A majority of the Board should be independent Directors.	Currently, the Company has two independent Directors and two Directors that are not considered to be independent.	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 has in the past and will in the future consider the appointment of independent Directors if deemed appropriate depending on the scope and scale of its operations.
2.4	The Board should establish a nomination committee.	The Board has not established a separate nomination committee, however, the responsibilities of a nomination committee are carried out by the full Board. It is noted the Board has adopted a Nomination Committee Charter.	Given the present size of the Company, the whole Board acts as a nomination committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate Nomination Committee. The Board will re-consider establishing a separate Nomination Committee as the Company's operations grow.
4.1 and 4.2	The Board should establish an audit committee and structure it in accordance with Recommendation 4.2.	The Board had not established a separate audit committee during the 30 June 2010 financial year, however, the responsibilities of the audit committee were carried out by the full Board. It is noted the Board had adopted an Audit Committee Charter.	The role of the Audit Committee was carried out by the full Board during the 30 June 2010 financial year. The Board considered that given its size and stage of development, no efficiencies or other benefits would be gained by establishing a separate Audit Committee. It is noted the Board re-considered establishing a separate Audit Committee on 01 July 2010 given the increasing activities of the Company particularly in relation to the Hellyer Mine Project and a separate Audit Committee was established on that date.
8.1	The Board should establish a remuneration committee.	The Board has not established a separate remuneration committee, however, the responsibilities of a remuneration committee are carried out by the full Board. It is noted the Board has adopted a Remuneration Committee Charter.	Given the present size of the Company, the whole Board acts as a remuneration committee, if required. The Board believes no efficiencies or other benefits could be gained by establishing a separate remuneration committee. All matters of remuneration are determined by the Board in accordance with Corporations Act requirements, particularly in respect of related party transactions. No Director participates in any decision regarding his own remuneration or related issues. The Board has adopted a Remuneration Committee Charter and Remuneration Policy.

2010

DIRECTORS' REPORT & FINANCIAL STATEMENTS

BassMetals Ltd.

4

DIRECTORS' REPORT

The Directors are pleased to present their report, together with the financial statements of the Group, being Bass Metals Ltd ("Bass" or "the Company") and subsidiary Hellyer Mill Operations Pty Ltd.

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.

Mr David Donald Boyer – Independent Non-executive Chairman
BSc (Hons), CP Geo, FAIMM, MAIG, MAICD
Appointed - 02 August 2004

Mr Boyer is a consultant geologist and resource company director with over 40 years experience in gold and base metal exploration and the management of resource projects in Australia and overseas. His experience ranges 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 has held a number of executive and non-executive director positions over the past 15 years and is currently non-executive Chairman of Midas Resources Ltd.

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

Mr Rosenstreich has a strong combination of technical and commercial skills gained over the past 25 years in the banking and mining sectors. He is a geologist with 13 years of experience gained in both exploration and mining roles including senior management positions with companies such as Homestake Mining, Dominion Mining and Consolidated Gold.

Since July 1997 until November 2002 he was a member of the NM Rothschild Australia 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 has been the fulltime Managing Director of Bass since December 2004.

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 and the Australian Institute of Company Directors.

Mr Craig Ian McGown – Independent Non-executive Director
B. Com, FCA, ASIA
Appointed - 07 July 2004

Mr McGown has more than 37 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 McGown is also currently an Executive Director of New Holland Capital Pty Limited, Non-executive Chairman of Pioneer Resources Limited, Entek Energy Ltd and Non-executive Director of Peel Exploration Limited.

Mr Patrick Anthony Treasure – Non-executive Director
BSc (Hons), MAusIMM, MAICD
Appointed – 02 December 2008

Mr Treasure is a geologist by profession who has been actively involved in the resource and metal recovery industry for over 35 years, holding senior executive positions with a number of publicly listed companies in the process metallurgy and mining fields. He is currently a Director and Chief Executive Officer of Metals Finance Limited, a Company of which he was a founding director and primary architect of its business plan.

Mr Treasure has extensive experience in corporate management, technology development, project evaluation and development.

He is Metals Finance Limited's nominated Director on the Board of Bass.

Ms Susan Patricia Hunter - Company Secretary
BCom, ACA, F Fin (GDipAFin (SecInst)), MAICD (Dip), ACIS (Dip)
Appointed – 28 September 2006

Ms Hunter has over 16 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 founder and Managing Director of consulting firm Hunter 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 four Australian Stock Exchange listed companies.

Principal Activities

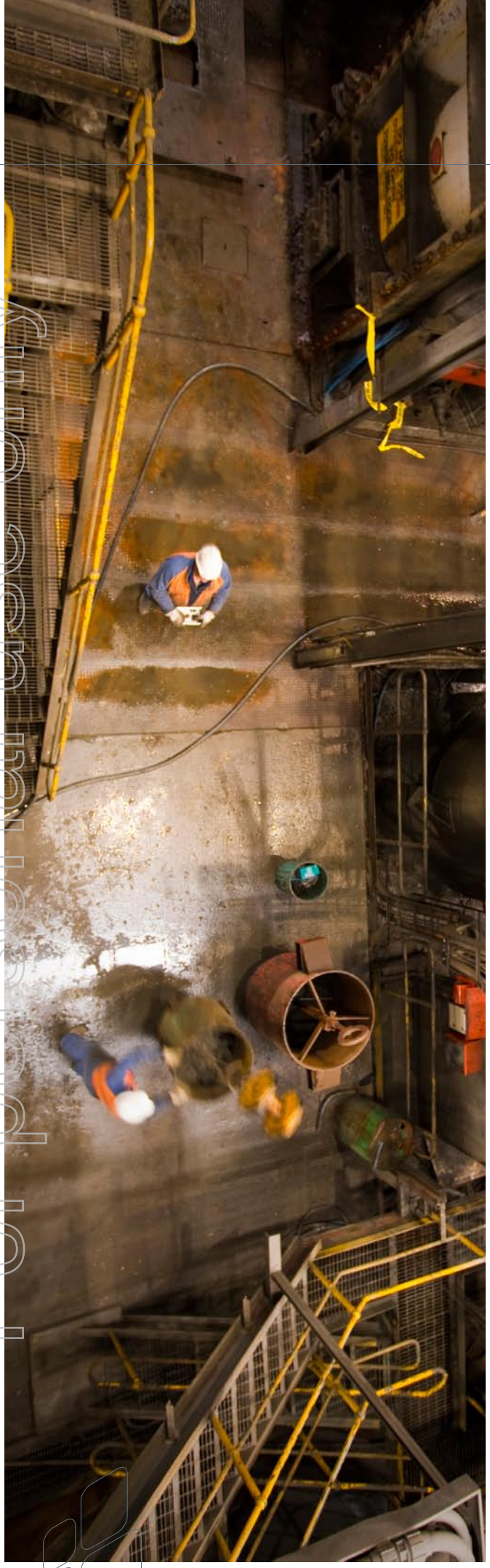
During the period the principal activities of the Company consisted of mineral exploration, development and mining within Australia.

Dividends

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

Result for the Financial Period

Profit/(loss) from ordinary activities after income tax expense for the Group was ($406,034) (2009: $19,122,323).



Review of Operations

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

Remuneration Report (Audited)

This report details the amount and nature of remuneration of Key Management Personnel including 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 business 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 performance, 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 Company. 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 as long-term incentive remuneration.

The Board has resolved that Directors fees will be $75,000 per annum for the Chairman and $50,000 per annum for Non-executive Directors, inclusive of statutory superannuation contributions effective 1 October, 2008. 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 or committee member fees.

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. Individuals may elect to sacrifice part of their salary to increase payments towards superannuation. Bonus payments are at the discretion of the Board and are based on an executive's performance. 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.

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

Directors and 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 29.

Bass Metals Ltd Employee Share Option Plan

Information on the Bass Metals Ltd Employee Share Option Plan is set out in Note 29.

Relationship between Remuneration Policy and Company Performance

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. Two methods have been applied to achieve this aim, the first being a performance-based incentive based on performance milestones, and the second being the issue of options and shares to the majority of directors, executives and employees to encourage the alignment of personal and shareholder interests. The company believes this policy is effective in contributing to increasing shareholder returns.

The performance milestones are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the area each individual is involved in and has a level of control over. The performance milestones target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short and long-term goals. The level set for each performance milestone is based on the Group's production plans and respective industry standards.

Performance in relation to the performance milestones is assessed annually, with bonuses being awarded depending on the degree to which the milestone has been achieved. Following the assessment, the performance milestones are reviewed by the remuneration committee in light of the desired and actual outcomes, and their effectiveness in achieving the Group's goals and shareholder returns. The performance milestones are then set for the following year.

During the reporting period directors and executives were issued with options and shares. The Board believes that this is an appropriate way to attract persons of experience and ability to the Group; foster and promote loyalty by providing an incentive to remain in the Group's employment in the long term; and to recognise the ongoing ability of key management personnel to contribute to the performance and success of the Group.

Performance Conditions Linked to Remuneration

The Group seeks to emphasise reward incentives for results and continued commitment to the Group through the provision of various cash bonus reward schemes, specifically the incorporation of incentive payments based on the achievement of performance milestones and continued employment with the Group. Incentive payments result from where the Group achieves production plans. This condition provides management with a performance target which focuses upon asset development and growth, with short term production goals, to build a diversified and profitable minerals business utilising existing Group resources.

The performance related proportions of remuneration based on these targets are included in the Compensation of Key Management Personnel table. The objective of the reward schemes is to both reinforce the short and long-term goals of the Group and provide a common interest between management and shareholders. There has been no alteration to the terms of the bonuses paid since grant date.

The satisfaction of the performance conditions are evidenced by execution of contracts or agreements and whole of Board assessment and approval. The Board does not believe that performance conditions should include a comparison with factors external to the Group at this time.

Compensation of Key Management Personnel for the year ended 30 June 2010

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

		Short-term benefits (salary and leave)	Short-term benefits (performance bonus)	Post-Employment benefits (superannuation)	Non cash benefits	Termination benefits	Share-based payments (shares/ options)	Total remuneration represented by performance bonus	Total remuneration represented by shares/ options	Total
		$	$	$	$	$	$	%	%	$
Executive Director										
Mr M Rosenstreich[1]	2010	335,539	50,000	14,461	1,590	-	124,500	9.5	23.7	526,090
	2009	280,000	-	20,000	1,892	-	-	-	-	301,892
Non-Executive Directors										
Mr D Boyer[2]	2010	75,000	-	-	-	-	40,500	-	35.1	115,500
	2009	72,500	-	-	-	-	-	-	-	72,500
Mr C McGown[3]	2010	57,500	-	-	-	-	33,750	-	37.0	91,250
	2009	55,000	-	-	-	-	-	-	-	55,000
Mr P Treasure[4]	2010	50,000	-	-	-	-	33,750	-	40.3	83,750
	2009	29,167	-	-	-	-	-	-	-	29,167
Mr K Rodgers[5]	2010	-	-	-	-	-	-	-	-	-
	2009	10,000	-	-	-	-	-	-	-	10,000
Total Directors	2010	518,039	50,000	14,461	1,590	-	232,500	6.1	28.5	816,590
	2009	446,667	-	20,000	1,892	-	-	-	-	468,559
Company Executives										
Ms S Hunter[6]	2010	99,001	-	-	-	-	20,250	-	-	119,251
	2009	81,979	-	-	-	-	-	-	-	81,979
Dr T Murphy[7]	2010	-	-	-	-	-	-	-	-	-
	2009	22,936	-	2,064	203	-	-	-	-	25,203
Mr L Henley[8]	2010	124,154	12,000	11,318	546	46,631	-	6.2	-	194,649
	2009	165,255	-	14,745	2,419	-	5,250	-	2.8	187,669
Mr K Denwer	2010	152,636	8,000	11,744	2,747	-	49,025	3.6	21.9	224,152
	2009	113,000	-	24,500	7,557	-	-	-	-	145,057
Mr B Hamilton[9]	2010	213,309	-	11,393	512	-	23,000	-	9.3	248,214
	2009	-	-	-	-	-	-	-	-	-
Mr B Burdett[10]	2010	167,026	-	9,641	2,620	-	29,000	-	13.9	208,287
	2009	-	-	-	-	-	-	-	-	-
Total Company Executives	2010	756,126	20,000	44,096	6,425	46,631	121,275	0.0	12.1	994,553
	2009	383,170	-	41,309	10,179	-	5,250	-	2.8	439,908

Note 1 – Included in 2010 short-term benefits are bonuses paid during the year of $50,000 (2009: nil) which were approved by the Board and were based on the successful achievement of performance milestones relating to the company's production plans.

Note 2 – During 2010 $75,000 (2009: $72,500) of Mr D Boyer's short-term benefits were paid to Boyer Exploration and Resource Management Pty Ltd of which Mr D Boyer is a Director and employee.

Note 3 – During 2010 $37,500 (2009: $47,500) of Mr C McGown's short-term benefits were paid to Taurus Funds Management Pty Ltd until 31 March, 2010 as Mr C McGown is an associate of that Company. Thereafter, $20,000 (2009: nil) of Mr C McGown's short-term benefits were paid to Resource Investment Capital Advisors Pty Ltd of which Mr C McGown is a Director and employee.

Note 4 – During 2010 $50,000 (2009: $29,167) of Mr P Treasure's short-term benefits were paid to Metals Finance Limited of which Mr P Treasure is a Director and employee.

Note 5 – During 2010 nil (2009: 10,000) of Mr K Rodgers' short-term benefits were paid to a wholly owned subsidiary of Intec Ltd of which Mr K Rodgers is a Director and employee.

Note 6 – Ms Hunter's short-term benefits of $65,561 (2009: $81,979) were paid to Norvest Corporate Pty Ltd until 31 December, 2009 as Ms Hunter is an associate of that Company. Thereafter, $33,440 (2009: nil) of Ms Hunter's short-term benefits were paid to Hunter Corporate Pty Ltd of which Ms Hunter is the Managing Director and employee.

Note 7 – Dr T Murphy's short-term benefits were paid until his resignation from the Executive on 31 August 2008.

Note 8 – Mr L Henley's short-term benefits were paid until his resignation on 09 April, 2010.

Note 9 – Mr B Hamilton commenced employment as Bass' Chief Financial Officer on 17 September, 2009.

Note 10 – Mr B Burdett commenced employment as Bass' General Manager Operations - Tasmania on 01 November, 2009.

Other than the Executive Directors and Company Executives, 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 and Company Executives, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company 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.

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. Details of the inputs used for these calculations are included in Note 29. The value disclosed above is a portion of the fair value of the options allocated to this reporting period.

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.

Employment Contracts

The Managing Director, Mr Mike Rosenstreich, is retained via an employment contract dated 22 September 2008 and is valid to 30 June 2011. 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 from 01 July 2010 is $350,000 base salary plus incentives of $50,000 and is subject to annual review which includes setting short term incentive milestones.

Company Executives other than Ms S Hunter are employed under contracts, with no fixed term and a minimum of two months' notice period. Ms S Hunter is employed under a service agreement with Hunter Corporate Pty Ltd. This agreement is able to be terminated by giving two months' written notice.

Options Issued as Part of Remuneration

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 Directors and Executives of Bass Metals Ltd to increase goal congruence between Executives, Directors and shareholders.

	Vested number	Granted number	Grant date	Value per option at grant date	Exercise price	First exercise date	Last exercise date
Executive Director							
Mr M Rosenstreich	850,000	850,000	22/12/2006	22.3 cents	27.5 cents	22/12/2006	22/12/2011
Mr M Rosenstreich	300,000	300,000	07/12/2009	14.3 cents	26.0 cents	07/12/2009	31/12/2012
Mr M Rosenstreich	-	300,000	07/12/2009	13.8 cents	28.5 cents	31/12/2010	31/12/2012
Mr M Rosenstreich	-	300,000	07/12/2009	13.4 cents	30.5 cents	31/12/2011	31/12/2012
Non-Executive Directors							
Mr D Boyer	300,000	300,000	22/12/2006	22.3 cents	27.5 cents	22/12/2006	22/12/2011
Mr D Boyer	300,000	300,000	07/12/2009	13.5 cents	30.0 cents	07/12/2009	31/12/2012
Mr C McGown	225,000	225,000	22/12/2006	22.3 cents	27.5 cents	22/12/2006	22/12/2011
Mr C McGown	250,000	250,000	07/12/2009	13.5 cents	30.0 cents	07/12/2009	31/12/2012
Mr P Treasure	250,000	250,000	07/12/2009	13.5 cents	30.0 cents	07/12/2009	31/12/2012
Company Executives							
Ms S Hunter	125,000	125,000	31/12/2006	18.4 cents	37.5 cents	31/12/2007	31/12/2011
Ms S Hunter	100,000	100,000	31/12/2007	16.9 cents	51.0 cents	31/12/2008	31/12/2012
Ms S Hunter	150,000	150,000	07/12/2009	13.5 cents	30.0 cents	07/12/2009	31/12/2012
Mr L Henley	100,000	100,000	31/12/2007	16.9 cents	51.0 cents	31/12/2008	31/12/2012
Mr L Henley	125,000	125,000	18/04/2008	9.6 cents	37.5 cents	18/04/2008	02/11/2011
Mr L Henley	125,000	125,000	01/05/2009	4.2 cents	37.5 cents	01/05/2009	02/11/2011
Mr L Henley[1]	-	100,000	16/10/2009	16.8 cents	42.5 cents	16/10/2010	16/10/2012
Mr K Denwer	-	130,000	16/10/2009	16.8 cents	42.5 cents	16/10/2010	16/10/2012
Mr K Denwer	100,000	100,000	27/10/2009	18.6 cents	25.0 cents	01/09/2009	01/09/2013
Mr K Denwer	100,000	100,000	27/10/2009	16.3 cents	35.0 cents	01/09/2009	01/09/2013

Note 1 – Mr L Henley's interests lapsed when he resigned on 09 April, 2010.

No options have been exercised during the financial period.

Share Options

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
22 December 2006	22 December 2011	27.5 cents	1,375,000
31 December 2006	31 December 2011	37.5 cents	225,000
31 December 2007	31 December 2012	51.0 cents	425,000
18 April 2008	02 November 2011	37.5 cents	125,000
01 May 2009	02 November 2011	37.5 cents	125,000
01 September 2009	01 September 2013	25.0 cents	100,000
01 September 2009	01 September 2013	35.0 cents	100,000
16 October 2009	16 October 2012	42.5 cents	1,275,000
07 December 2009	31 December 2012	30.0 cents	950,000
07 December 2009	31 December 2012	26.0 cents	300,000
07 December 2009	31 December 2012	28.5 cents	300,000
07 December 2009	31 December 2012	30.5 cents	300,000
			5,600,000

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 are as follows:

	Ordinary Shares		Options	
Director	**Direct**	**Indirect**	**Direct**	**Indirect**
Mr D Boyer	1,405,557	216,779	600,000	-
Mr M Rosenstreich	1,468,897	-	1,750,000	-
Mr C McGown	18,337	1,634,009	-	475,000
Mr P Treasure	-	26,413,445	-	250,000

Company Performance

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

Significant Changes in the State of Affairs

During the year the Group commenced the development of the Hellyer Mine Project; which has involved the refurbishment of the Hellyer Mill and the commencement of mine development related to the Fossey deposit.

Likely Developments and Expected Results

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

The Group will continue to:

- Develop the Hellyer Mine Project, which includes the commencement of concentrate production activities;
- Maintain a strategic land position in Tasmania incorporating a full spectrum of targets from advanced drill ready prospects to conceptual large scale anomalies; and
- Assess opportunities to expand its business via development of its existing assets and potential project acquisitions both within Australia and overseas.

Environmental Regulation

The Group is subject to environmental regulation in respect of its exploration activities. The Group makes every effort to comply with the relevant regulations and has not been advised by the regulatory authority of any breaches in relation to the regulations within the States it operates.

Meetings of Directors

The following table sets out the number of meetings of the Company's Directors held during the year ended 30 June 2010 and the number of meetings attended by each Director.

Director	Directors' Meetings		Hedge Committee	
	A	B	A	B
Mr D Boyer	10	10	-	-
Mr M Rosenstreich	10	10	5	5
Mr C McGown	10	10	5	5
Mr P Treasure	8	10	-	-

A – meetings attended
B – number of meetings entitled to attend

The full Board met as the Audit Committee, Nomination Committee and the Remuneration Committee on an as required basis during the year ended 30 June 2010. The Board formed a separate Audit Committee on 01 July 2010. The members of the Audit Committee are Mr McGown (Chairman of the Committee), Mr Boyer, Mr Treasure and Ms Hunter.

Mr Hamilton, Chief Financial Officer, also attended all the Hedge Committee meetings.

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

No proceedings have been brought or intervened in on behalf of the Group 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

No matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

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 Managing Director 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 in accordance with APES110 : Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid/payable to Grant Thornton for non audit services provided during the year ended 30 June 2010:

	2010 $
Amounts received or due and receivable by Grant Thornton for:	
Consulting - Taxation services	18,750
	18,750

Auditors Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, Grant Thornton Audit Pty Ltd, to provide the Directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2010. This written Auditor's Independence Declaration is attached to the Auditor's Independent Audit Report to the members and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors.

M Rosenstreich
Managing Director

West Perth, Western Australia
10 September, 2010

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated	
Continuing operations		**2010 $**	**2009 $**
Sales revenue	2	18,193,121	23,807,499
Cost of sales	3	(14,060,325)	(16,418,190)
Gross profit		**4,132,796**	**7,389,309**
Net gain on acquisition of Hellyer operating infrastructure and mining lease	2	1,249,853	16,692,878
Other income	2	1,045,400	1,469,964
Other expenses	3	(6,932,354)	(5,132,200)
Share based payment expenses	3	(372,847)	(113,666)
Finance costs	3	(79,890)	(51,148)
Profit/(loss) before income tax		**(957,042)**	**20,255,137**
Income tax (expense)/income	4	551,008	(1,132,814)
Profit/(loss) after income tax for the period		**(406,034)**	**19,122,323**
Other comprehensive income for the period, net of income tax		**-**	**-**
Total comprehensive income/(loss) for the period		**(406,034)**	**19,122,323**
Profit/(loss) attributed to: Members of the parent entity		(406,034)	19,122,323
Total comprehensive income attributed to: Members of the parent entity		(406,034)	19,122,323
Basic earnings per share (cents)	5	(0.30)	18.46
Diluted earnings per share (cents)	5	(0.30)	17.32

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	Consolidated	
		2010 $	2009 $
CURRENT ASSETS			
Cash and cash equivalents	6	9,471,543	4,544,337
Trade and other receivables	7	4,719,522	5,788,318
Inventories	8	527,048	1,057,637
Derivative financial assets	9	148,370	5,747
Other assets	10	61,976	180,887
Total Current Assets		**14,928,459**	**11,576,926**
NON-CURRENT ASSETS			
Trade and other receivables	7	2,765,392	1,717,457
Plant and equipment	11	26,656,530	24,264,659
Mine properties	12	17,756,958	10,924,932
Capitalised exploration and evaluation	14	13,564,128	11,949,001
Other financial assets	16	179,277	-
Deferred tax assets	22	5,444,367	4,180,605
Total Non-Current Assets		**66,366,652**	**53,036,654**
TOTAL ASSETS		**81,295,111**	**64,613,580**
CURRENT LIABILITIES			
Trade and other payables	17	5,064,678	2,090,470
Borrowings	18	-	156,267
Derivative financial liabilities	19	-	52,511
Provisions	20	1,607,642	1,840,902
Contingent consideration	21	915,928	-
Total Current Liabilities		**7,588,248**	**4,140,150**
NON-CURRENT LIABILITIES			
Provisions	20	5,254,460	5,234,071
Contingent consideration	21	1,878,485	2,756,319
Deferred tax liabilities	22	10,014,208	10,767,862
Total Non-Current Liabilities		**17,147,153**	**18,758,252**
TOTAL LIABILITIES		**24,735,401**	**22,898,402**
NET ASSETS		**56,559,710**	**41,715,178**
EQUITY			
Issued capital	23	37,172,160	22,294,441
Option reserve	24	1,172,478	799,631
Retained profits		18,215,072	18,621,106
TOTAL EQUITY		**56,559,710**	**41,715,178**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Consolidated	Issued Capital	Retained Profits/ (Accumulated Losses)	Option Reserve	Total Equity
	$	$	$	$
Balance at 01 Jul 2008	22,097,969	(501,217)	685,965	22,282,717
Total comprehensive income/(loss) for the period	-	19,122,323	-	19,122,323
Transactions with owners, recorded directly in equity				
Shares issued during the year	10,125	-	-	10,125
Share issue costs	186,347	-	-	186,347
Share options issued during the period in accordance with AASB 2 - Share based payments	-	-	113,666	113,666
Total contributions by and distributions to owners	196,472	-	113,666	310,138
Total transactions with owners	196,472	19,122,323	113,666	19,432,461
Balance at 30 June 2009	**22,294,441**	**18,621,106**	**799,631**	**41,715,178**
Balance at 01 Jul 2009	22,294,441	18,621,106	799,631	41,715,178
Total comprehensive income/(loss) for the period	-	(406,034)	-	(406,034)
Transactions with owners, recorded directly in equity				
Shares issued during the year	15,331,014	-	-	15,331,014
Share issue costs	(721,850)	-	-	(721,850)
Tax benefit relating to share issue costs	216,555	-	-	216,555
Share options issued during the period in accordance with AASB 2 - Share based payments	52,000	-	372,847	424,847
Total contributions by and distributions to owners	14,877,719	-	372,847	15,250,566
Total transactions with owners	14,877,719	(406,034)	372,847	14,844,532
Balance at 30 June 2010	**37,172,160**	**18,215,072**	**1,172,478**	**56,559,710**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2010 $	2009 $
Cash flows from operating activities			
Cash receipts in the course of operations		21,728,748	20,309,931
Cash payments in the course of operations		(13,556,013)	(10,985,516)
Payments of security deposits		-	(86,765)
Receipts of research and development offset		-	338,986
Interest received		475,798	334,410
Interest paid		(44,270)	(54,563)
Receipts from/(payments for) derivative financial instruments		-	4,071,455
Net cash provided by operating activities	**27(a)**	**8,604,263**	**13,927,938**
Cash flows from investing activities			
Purchase of plant and equipment		(2,519,086)	(167,167)
Payment for Hellyer operating infrastructure and mining lease		-	(4,010,000)
Payments for exploration and evaluation		(3,873,326)	(4,177,657)
Payments for development of mineral properties		(10,324,624)	(4,282,650)
Payments for Hellyer mining lease guarantee		(1,005,560)	(1,000,000)
(Proceeds)/payments for derivative financial instruments		(416,983)	-
Net cash (used in) investing activities		**(18,139,579)**	**(13,637,474)**
Cash flows from financing activities			
Proceeds from issue of shares		15,331,015	-
Repayments of borrowings		(146,643)	(175,696)
Costs of share issues		(721,850)	-
Net cash provided by/(used in) financing activities		**14,462,522**	**(175,696)**
Net increase in cash and cash equivalents		4,927,206	114,768
Cash and cash equivalents at the beginning of the year		4,544,337	4,429,569
Cash and cash equivalents at the end of the year	**6**	**9,471,543**	**4,544,337**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated financial statements and notes of Bass Metals Ltd and its controlled entity ("Consolidated" or "Group").

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(a) Principles of Consolidation

A controlled entity is an entity over which Bass Metals Ltd has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

A list of controlled entities is contained in note 36 to the financial statements.

As at reporting date, the assets and liabilities of the controlled entity have been incorporated into the consolidated financial statements as well as their results for the year then ended.

All inter-group balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation.

Business combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets acquired and liabilities assumed. If the independently assessed fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(b) Income Tax

The income tax (expense)/income for the year comprise current income tax (expense)/income and deferred tax (expense)/income.

Current income tax (expense) charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax (liabilities)/assets are therefore measured at the amounts expected to be (paid) or recovered from the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax (expense)/income is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred assets also result where amounts have been fully expensed but future tax deductions are available. 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.

Deferred tax assets and liabilities are calculated at the tax rate that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(c) Cash & Cash Equivalents

For the purposes of the Statement of Cash Flows, 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.

(d) Trade and Other 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.

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

(e) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion.

(f) Financial Instruments

Initial Recognition and Measurement
Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement
Finance instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where applicable, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as follows:

(i) the amount at which the financial asset or financial liability is measured at initial recognition;

(ii) less principal repayments;

(iii) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(iv) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

(i) Financial assets at fair value through profit or loss
Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) 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 subsequently measured at amortised cost using the effective interest rate method.

(iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derivative Instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the Statement of Comprehensive Income 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 of Financial Assets

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

(g) Plant & Equipment

Plant and equipment is measured at cost less where applicable, any accumulated depreciation and impairment losses.

Depreciation is calculated on the straight line 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, other than for ore processing equipment. The depreciation rates used are:

Office equipment	20.00%
Computer equipment	33.33%
Exploration equipment	20.00%

Ore processing equipment is depreciated on a units of production basis consistent with the equipments consumption pattern. As the equipment has been in care and maintenance since acquisition, no depreciation has been expensed to date.

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

(h) Impairment of Non-Financial Assets

At each reporting date, the Group 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 Statement of Comprehensive Income.

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

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(j) Mine Properties

Mine properties represent the accumulation of all exploration, evaluation and development expenditure incurred in respect of areas of interest in which mining has commenced or in the process of commencing. When further development expenditure is incurred in respect of mine property after the commencement of production, such expenditure is carried forward as part of the mine property only when substantial future economic benefits are thereby established, otherwise such expenditure is classified as part of the cost of production.

Amortisation is provided on a unit of production basis (other than restoration and rehabilitation expenditure detailed below) which results in a write off of the cost proportional to the depletion of the proven and probable mineral reserves.

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

The Group provides for environmental restoration and rehabilitation at site which include any cost to dismantle and removal of certain items of plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when an item is acquired or as a consequence of having used the item during that period. This asset is depreciated on the basis of the current estimate of the useful life of the asset.

In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets an entity is also required to recognise as a provision the best estimate of the present value of expenditure required to settle the obligation. The present value of estimated future cash flows is measured using a current market discount rate.

(k) Capitalised 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 transferred to Mine Properties and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves (refer to Mine Properties above).

A regular review for impairment 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 a discounted 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.

(l) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group 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.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(i) Employee Benefits
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

The Group operates equity-settled share-based payment employee share and option schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Issues of employee options are brought to account through the Statement of Comprehensive Income. At the time of exercise, the amounts receivable from employees are recognised in the Statement of Financial Position as share capital.

(n) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable.

(ii) Ore Sales
Revenue from the sale of ore is recognised when the product has been delivered and:

- risk has been passed to the customer;
- the quantity of the product can be determined with reasonable accuracy; and
- the selling price can be determined with reasonable accuracy.

Sales revenue represents gross proceeds receivable from the customer. Sales are initially recognised at an estimated value when the product has been delivered. Adjustments are made to reflect variations in the metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

(iii) 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.

(iv) Other Income
Other income is recognised as and when it is receivable and has been recorded as part of other receivables if it has not yet been received.

All revenue is stated net of the amount of goods and services tax (GST).

(o) 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 Statement of Financial Position are shown inclusive of GST.

Cash flows are presented in the Statement of Cash Flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(p) 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 Statement of Comprehensive Income in the period in which they are incurred.

(q) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(r) Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates and assumptions made in preparation of these financial statements are described below:

Impairment of Non-financial Assets

The Group assesses impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Recoverability of Assets

Certain assumptions are required to be made in order to assess the recoverability of assets. Key assumptions include the future price of commodities, future cash flows, an estimated discount rate and estimates of ore reserves. In addition, cash flows are projected over the life of mine, which is based on proved and probable ore reserves. Estimates of ore reserves in themselves are dependent on various assumptions, in addition to those described above, including cut-off grades. Changes in these estimates could materially impact on ore reserves, and could therefore affect estimates of future cash flows used in the assessment of recoverable amount.

Determination of Ore Reserves and Remaining Mine Life

The Group estimates its ore reserves and mineral resources based on information compiled by Competent Persons (as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources (the JORC Code)). Reserves determined in this way are taken into account in the calculation of depreciation, amortisation, impairment, deferred mining costs, rehabilitation and environmental expenditure.

In estimating the remaining life of the mine for the purposes of amortisation and depreciation calculations, due regard is given, not only to remaining recoverable metals contained in proved and probable ore reserves, but also to limitations which could arise from the potential for changes in technology, demand, and other issues which are inherently difficult to estimate over a lengthy time frame.

Where a change in estimated recoverable metals contained in proved and probable ore reserves is made, depreciation and amortisation is accounted for prospectively.

The determination of ore reserves and remaining mine life affects the carrying value of a number of the Group's assets and liabilities including deferred mining costs and the provision for rehabilitation.

Provision for Restoration and Rehabilitation

Certain assumptions are required to be made in determining the amount expected to be incurred to settle its obligations in relation to restoration and rehabilitation of the mine site. Key assumptions include the amount and timing of future cash flow estimates.

Share-based Payment Transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of Useful Lives of Assets

The consolidated entity's management determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment. The useful lives could change significantly as a result of technical innovations or some other event. Management will increase the depreciation and amortisation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Recovery of Deferred Tax Assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

Long Service Leave Provision

As discussed in note 1, the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(s) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of the Group.

AASB 3: Business Combinations

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 01 July 2009.

Recognition and measurement impact
Recognition of acquisition costs — The revised version of AASB 3 requires that all costs associated with a business combination be expensed in the period in which they were incurred. Previously such costs were capitalised as part of the cost of the business combination.

Measurement of contingent considerations — The revised AASB 3 requires that contingent considerations associated with a business combination be included as part of the cost of the business combination. They are recognised at the fair value of the payment calculated having regard to probability of settlement. Any subsequent changes in the fair value or probability of payment are recognised in the Statement of Comprehensive Income except to the extent where they relate to conditions or events existing at acquisition date, in which case the consideration paid is adjusted. The previous version of AASB 3 allowed such changes to be recognised as a cost of the combination impacting goodwill.

Measurement of non-controlling interest — For each business combination, the acquirer must measure any non-controlling interest in the acquiree either at the fair value of the non-controlling interest (the full goodwill method) or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. Under the previous version of AASB 3 only the latter option was permitted.

Recognition of contingencies — The revised AASB 3 prohibits entities from recognising contingencies associated with a business combination, unless they meet the definition of a liability.

Business combinations achieved in stages — The revised AASB 3 requires that where a business combination is achieved in stages, any previously held equity interest is to be remeasured to fair value and the resulting gain or loss, being the difference between fair value and historical cost, is to be recognised in the Statement of Comprehensive Income. The previous version of AASB 3 accounted for each exchange transaction separately, using cost and fair value information at the date of each exchange to determine the amount of any goodwill associated with the acquisition. It was therefore possible to compare the cost of each individual investment with the fair value of identifiable net assets acquired at each step.

Disclosure impact
The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

As the Group did not have a business combination occurring subsequent to 01 July 2009, these amendments did not have an impact on the Group's financial report.

AASB 8: Operating Segments

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

Measurement impact
Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill
AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact
Terminology changes — The revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — The revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of Changes in Equity, with non-owner changes in equity presented in the Statement of Comprehensive Income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the Statement of Changes in Equity.

Statement of Comprehensive Income — The revised AASB 101 requires all income and expenses to be presented in either one statement, the Statement of Comprehensive Income, or two statements, a separate income statement and a Statement of Comprehensive Income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a Statement of Comprehensive Income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the Statement of Comprehensive Income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

AASB 123: Borrowing Costs

In June 2007 the Australian Accounting Standards Board revised AASB 123 and as a result, there have been changes to the treatment of borrowing costs. The option to immediately expense borrowing costs directly attributed to the acquisition, construction or production of a qualifying asset has been removed. The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. In accordance with the transitional provisions of the amended AASB 123, the Group has adopted the Standard on a prospective basis. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 01 January 2009.

(t) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

New / revised pronounce-ment	Superseded pronounce-ment	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact of new standard on the financial report (standard has not been early adopted)	Application date for Group
Accounting Standards					
AASB 9 Financial Instruments AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	AASB 139 Financial Instruments: Recognition and Measurement (part)	AASB 9 introduces new requirements for the classification and measurement of financial assets. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value.	31 December 2013	AASB 9 amends the classification and measurement of financial assets; as the entity has minimal financial assets held at fair value the effect on the financial report is unlikely to be significant.	01 July 2013
AASB 124 Related Party Disclosures AASB 2009-12 Amendments to Australian Accounting Standards arising from AASB 124.	AASB 124 Related Party Disclosures	This revision amends the disclosure requirements for government related entities and the definition of a related party.	31 December 2011	Since the entity is not a government related entity; there is not expected to be any changes arising from this standard.	01 July 2011
AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	N/a	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following: The amendment to AASB 117 removes the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined. The amendment to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification. The amendment to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.	31 December 2010	Given the number of standards amended by AASB 2009-5, the entity is assessing the impact on the financial report however any impact is unlikely to be significant.	01 July 2010

New / revised pronounce-ment	Superseded pronounce-ment	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact of new standard on the financial report (standard has not been early adopted)	Application date for Group
Accounting Standards					
		The amendment to AASB 118 provides additional guidance to determine whether an entity is acting as a principal or as an agent. The features indicating an entity is acting as a principal are whether the entity: > has primary responsibility for providing the goods or service; > has inventory risk; > has discretion in establishing prices; > bears the credit risk. The amendment to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes. The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.			
AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]	Interpretation 8 and Interpretation 11.	This Standard makes amendments to Australian Accounting Standard AASB 2 *Share-based Payment* and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – *Group and Treasury Share Transactions.* The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.	31 December 2010	As the entity does not undertake significant group cash-settled share-based transactions the new standard is unlikely to have a significant impact on the financial report.	01 July 2010

New / revised pronounce-ment	Superseded pronounce-ment	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact of new standard on the financial report (standard has not been early adopted)	Application date for Group
Accounting Standards					
AASB 2009-9 Amendments to Australian Accounting Standards – Additional Exemptions for First-time Adopters	AASB 1 First Time adoption of Australian Equivalents to International Financial Reporting Standards (June 2007)	AASB 2009-9 makes amendments to ensure that entities applying Australian Accounting Standards for the first time will not face undue cost or effort in the transition process in particular situations.	31 December 2010	As this is not the first year of adoption of IFRSs, these amendments will not have any impact on the entity's financial report	01 July 2010
AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues	AASB 132 Financial Instruments: Presentation	AASB 2009-10 makes amendments which clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its non-derivative equity instruments.	31 January 2011	As the entity does not have any rights, options or warrants to acquire their own equity instruments, these amendments will not have any impact on the entity's financial report.	01 July 2010
AASB 2009-13 Amendments to AASB 1 arising from Interpretation 19	Interpretation 19	This standard amends AASB 1 to allow a first-time adopter to use the transitional provisions in Interpretation 19.	30 June 2011	As the entity is not a first-time adopter of IFRS, this standard will not have any impact.	01 July 2010
AASB 2010-01 Limited exemption from comparative AASB 7 disclosures for first time adopters (Amendments to AASB 1 and AASB 7)	AASB 1: First-time adoption of Australian Accounting Standards AASB 7 Financial instruments: Disclosures	These amendments principally give effect to extending the transition provisions of AASB 2009-2 Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments to first-time adopters of Australian Accounting Standards.	30 June 2011	As the entity is not a first-time adopter of IFRS, this standard will not have any impact.	01 July 2010
AASB 2010-02 Amendments to Australian Accounting Standards arising from reduced disclosure requirements.	N/a	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements. AASB 1053 provides further information regarding the differential reporting framework and the two tiers of reporting requirements for preparing general purpose financial statements.	30 June 2014	The standard is not likely to have a significant impact on the financial report other than disclosure requirements.	01 July 2013

New / revised pronounce-ment	Superseded pronounce-ment	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact of new standard on the financial report (standard has not been early adopted)	Application date for Group
Accounting Standards					
AASB 2010-03 Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139]	N/a	Limits the scope of the measurement choices of non-controlling interest at proportionate share of net assets in the event of liquidation. Other components of NCI are measured at fair value. Requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e. split between consideration and post combination expenses. Clarifies that contingent consideration from a business combination that occurred before the effective date of AASB 3 Revised is not restated. Eliminates the requirement to restate financial statements for a reporting period when significant influence or joint control is lost and the reporting entity accounts for the remaining investment under AASB 139. This includes the effect on accumulated foreign exchange differences on such investments.	30 June 2011	The standard is not likely to have a significant impact on the financial report other than disclosure requirements.	01 July 2010
AASB 2010-04 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]	N/a	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments. Clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. Provides guidance to illustrate how to apply disclosure principles in AASB 134 for significant events and transactions Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.	31 December 2011	The standard is not likely to have a significant impact on the financial report other than disclosure requirements.	01 July 2011

New / revised pronounce-ment	Superseded pronounce-ment	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Impact of new standard on the financial report (standard has not been early adopted)	Application date for Group
Accounting Standards					
AASB 1053 Application of Tiers of Accounting Standards	N/a	This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements: (a) Tier 1: Australian Accounting Standards; and (b) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements. Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements. The following entities apply Tier 1 requirements in preparing general purpose financial statements: (a) for-profit entities in the private sector that have public accountability (as defined in this Standard); and (b) the Australian Government and State, Territory and Local Governments. The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements: (a) for-profit private sector entities that do not have public accountability; (b) all not-for-profit private sector entities; and (c) public sector entities other than the Australian Government and State, Territory and Local Governments.	30 June 2014	The standard is not likely to have a significant impact on the financial report, as the Group would be considered to be a Tier 1 entity.	01 July 2013

New / revised pronouncement	Superseded pronouncement	Explanation of amendments	Effective date (i.e. annual reporting periods ending on or after)	Example disclosure of impact of new standard on the financial report (if standard is not early adopted)	Likely impact
Australian Accounting Interpretations					
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments	N/a	This interpretation addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. These transactions are sometimes referred to as 'debt for equity swaps'.	30 June 2011	As the entity has not renegotiated any financial liabilities into equity instruments this interpretation is not expected to have any impact on the entity's financial report.	01 July 2010
AASB 2009-14 Prepayments of a Minimum Funding Requirement (Amendments to Interpretation 14)	N/a	This amendment to Interpretation 14 addresses the unintended consequences that can arise from the previous requirements when an entity prepays future contributions into a defined benefit pension plan.	31 December 2011	As the entity does not have a defined benefit pension plan this amendment to Interpretation 14 is not expected to have any impact on the entity's financial report.	01 July 2010

2. REVENUE

	Note	Consolidated	
		2010 $	2009 $
(a) Sales revenue			
Ore sales		18,193,121	23,807,499
Total sales revenue		**18,193,121**	**23,807,499**
(b) Net gain on acquisition of Hellyer operating infrastructure and mining lease	**13**	**1,249,853**	**16,692,878**
(c) Other income			
Interest received		526,038	336,978
Net gain on derivative financial instruments		-	1,082,986
Joint venture establishment fee		2,686	50,000
Mill operations extension fee		50,220	-
Other revenue		466,456	-
Total other income		**1,045,400**	**1,469,964**

3. PROFIT/(LOSS) FOR THE YEAR

The profit/(loss) for the year is stated after taking into account the following:

Expenses

	Consolidated	
	2010 $	**2009 $**
(a) Cost of sales		
Production costs	5,734,869	4,472,260
Amortisation of mine closure and restoration	95,274	611,330
Amortisation of mining properties	4,299,118	6,152,980
Royalties	541,531	1,420,262
Treatment charges	2,165,426	2,637,040
Mining contractor net profit incentive	1,224,107	1,124,318
Total cost of sales	**14,060,325**	**16,418,190**
(b) Other expenses		
Employee benefit expense	1,344,613	760,653
Contracting and consulting expense	458,600	505,815
Operating lease expense	130,358	116,139
Other administration expense	900,616	499,681
Depreciation – plant & equipment	126,254	97,791
Impairment of capitalised exploration and evaluation expenditure	1,839,691	2,110,400
Exploration expenditure expensed	194,526	163,346
Hellyer operating infrastructure – care and Maintenance	1,715,847	878,375
Net loss on derivative financial instruments	221,849	-
Total other expenses	**6,932,354**	**5,132,200**
(c) Share based payments		
Share based payments	372,847	113,666
(d) Finance costs		
Finance costs	79,890	51,148
Total expenses	**21,445,416**	**21,715,204**

4. INCOME TAX EXPENSE

The prima facie tax on profit/(loss) before income tax is reconciled as follows:

	Consolidated	
	2010 $	**2009 $**
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	(552,175)	3,410,813
Recoupment of prior year tax losses not previously brought to account	-	(2,277,999)
Under/(over) provision in respect of prior years	1,167	-
	(551,008)	**1,132,814**
(b) The prima facie tax on profit/(loss) before income tax at 30% (2009 : 30%)	(287,113)	6,076,541
Add tax effect of:		
Non-deductible expenditure	11,751	3,006
Equity based payments	111,854	34,100
Less tax effect of:		
Research and development	(13,710)	-
Gain on acquisition of Hellyer operating infrastructure and mining lease	(374,957)	(5,045,678)
	(552,175)	1,067,969
Add tax effect of:		
Opening deferred tax balance brought to account	-	4,040,020
Previously unrecognised tax losses now recognised as a deferred tax asset	-	(1,697,176)
Previously unrecognised tax losses now being recouped	-	(2,277,999)
Under/(over) provision in respect of prior years	1,167	-
Income tax expense (income) attributable to loss from ordinary activities before tax	**(551,008)**	**1,132,814**
The applicable weighted average effective tax rates are as follows:	25.0%	5.6%

The increase in the weighted average effective tax rates is partially due to the initial recognition of deferred tax balances consistent with the Company's accounting policy as set out in note 1(b).

5. EARNINGS PER SHARE

	Consolidated	
	2010 $	2009 $
(a) Basic Earnings Per Share		
Profit/(loss) for the period	(406,034)	19,122,323
Weighted average number of ordinary shares used in the calculation of basic earnings per share	136,692,409	103,599,762
Basic earnings per share (cents)	**(0.30)**	**18.46**

	2010 $	2009 $
(b) Diluted Earnings Per Share		
Profit/(loss) for the period	(406,034)	19,122,323
Weighted average number of ordinary shares used in the calculation of basic earnings per share	136,692,409	103,599,762
Effect of weighted average share options on issue	5,025,543	6,806,898
Weighted average number of ordinary shares (diluted) at 30 June	141,717,952	110,406,660
Diluted earnings per share (cents)	**(0.30)**	**17.32**

6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2010 $	2009 $
Cash at bank and in hand	69,731	125,609
Short-term bank deposit	9,401,812	4,418,728
	9,471,543	**4,544,337**

The effective interest rate on short-term bank deposits at 30 June 2010 was 5.16% (2009: 3.00%); a majority of these deposits are at call.

Included in cash and cash equivalents is a restricted amount of $1,010,000 (2009: $1,010,000) on deposit as credit support for short dated forward sales agreements.

7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2010 $	2009 $
Current		
Trade receivables	4,062,664	5,779,245
Other receivables	9,498	6,953
Operating lease bonds	2,120	2,120
GST receivable	645,240	-
	4,719,522	**5,788,318**
Non-current		
Tenement security deposits[1]	2,626,340	1,620,780
Operating lease bonds (non-current)	18,652	18,652
Hellyer operating infrastructure guarantees[1]	48,400	48,400
Loan to key management personnel[2]	72,000	29,625
	2,765,392	**1,717,457**

Note 1: Tenement security deposits and Hellyer operating infrastructure guarantees are held in fixed term deposits. These amounts are not available for use and thus do not constitute cash assets. Included in the tenement security deposits for the Group is a $2,000,000 guarantee placed with the Minister of Resources Tasmania for the Hellyer mining lease.

Note 2: Further information relating to the loan to key management personnel is set out in Note 33.

Further information relating to the maturity analysis of trade and other receivables is set out in Note 32(b(ii)).

8. INVENTORIES

	Consolidated	
	2010 $	2009 $
At cost		
Finished goods - ore to be delivered	269,967	784,930
Stores – Hellyer Mill	257,081	272,707
	527,048	**1,057,637**

9. DERIVATIVE FINANCIAL ASSETS

	Consolidated	
	2010 $	2009 $
Current		
Derivative financial instruments – at fair value[1]	148,370	5,747
	148,370	**5,747**

Note 1: Fair value is determined in markets actively trading commodity contracts. The fair value is obtained from quoted market bid prices. Further information relating to the derivatives is set out in Note 32.

10. OTHER ASSETS

	Consolidated	
	2010 $	2009 $
Current		
Prepayments	61,976	180,887
	61,976	**180,887**

11. PLANT & EQUIPMENT

	Consolidated	
	2010 $	2009 $
Plant and Equipment - Ore Processing		
At cost	24,094,797	24,056,143
Accumulated depreciation	(576)	-
	24,094,221	24,056,143
Plant and Equipment – Hellyer Mill refurbishment		
At cost	2,142,907	-
Accumulated depreciation	-	-
	2,142,907	-
Plant and Equipment - Other		
At cost	782,264	454,099
Accumulated depreciation	(362,862)	(245,583)
	419,402	208,516
Total Plant and Equipment	**26,656,530**	**24,264,659**

Movements in carrying amounts

The carrying amounts of each class of plant and equipment between the beginning and end of the current and last financial year are set out below:

Consolidated	Note	Plant and Equipment Ore Processing	Plant and Equipment Hellyer Mill Refurbishment	Plant and Equipment Other	Leased Plant and Equipment	Total
		$	$	$	$	$
Balance at 01 July 2008		-	-	134,566	45,776	180,342
Additions		-	-	130,982	-	130,982
Additions through business combination	13	24,056,143	-	-	-	24,056,143
Disposals		-	-	(5,017)	-	(5,017)
Depreciation expense		-	-	(86,642)	(11,149)	(97,791)
Transfer to plant and equipment		-	-	34,627	(34,627)	-
Balance at 30 June 2009		**24,056,143**	**-**	**208,516**	**-**	**24,264,659**

Consolidated	Plant and Equipment Ore Processing	Plant and Equipment Hellyer Mill Refurbishment	Plant and Equipment Other	Leased Plant and Equipment	Total
	$	$	$	$	$
Balance at 01 July 2009	24,056,143	-	208,516	-	24,264,659
Additions	38,654	2,142,907	337,524	-	2,519,085
Disposals	-	-	(960)	-	(960)
Depreciation expense	(576)	-	(125,678)	-	(126,254)
Balance at 30 June 2010	**24,094,221**	**2,142,907**	**419,402**	**-**	**26,656,530**

There were no impairment losses recognised during the current or prior reporting periods.

12. MINE PROPERTIES

	Consolidated	
	2010 $	2009 $
Hellyer Tailings Dam		
At cost	9,000,000	9,000,000
Accumulated depreciation	-	-
	9,000,000	9,000,000
Hellyer Operating Infrastructure – Mill Closure and Restoration		
At cost	1,143,285	1,143,285
Accumulated depreciation	(95,274)	-
	1,048,011	1,143,285
Que River Capital Infrastructure		
At cost	663,273	663,273
Accumulated depreciation	(663,273)	(596,946)
	-	66,327
Que River Mine Closure and Restoration		
At cost	1,118,930	1,118,930
Accumulated depreciation	(1,118,930)	(1,118,930)
	-	-
Que River Mine Development		
At cost	12,451,984	7,913,786
Accumulated depreciation	(11,431,256)	(7,198,466)
	1,020,728	715,320
Fossey Capital Infrastructure		
At cost	1,741,321	-
Accumulated depreciation	-	-
	1,741,321	-
Fossey Mine Closure and Restoration		
At cost	483,285	-
Accumulated depreciation	-	-
	483,285	-
Fossey Mine Development		
At cost	4,463,613	-
Accumulated depreciation	-	-
	4,463,613	-
Total Mine Properties	**17,756,958**	**10,924,932**

The carrying amounts of each class of mine properties between the beginning and end of the current financial year are set out below:

Consolidated	Note	Hellyer Tailings Dam	Hellyer Operating Infra-structure – Mill Closure and Restoration	Que River Capital Infra-structure	Que River Mine Closure and Restoration	Que River Mine Develop-ment	Fossey Capital Infra-structure	Fossey Mine Closure and Restoration	Fossey Mine Develop-ment	Total
		$	$	$	$	$	$	$	$	$
Balance at 01 July 2008		-	-	383,646	338,400	2,501,567	-	-	-	3,223,613
Additions		-	-	61,233	272,930	3,988,181	-	-	-	4,322,344
Additions through business combination	13	9,000,000	1,143,285	-	-	-	-	-	-	10,143,285
Transfer from capitalised exploration and evaluation		-	-	-	-	-	-	-	-	-
Amortisation expense		-	-	(378,552)	(611,330)	(5,774,428)	-	-	-	(6,764,310)
Balance at 30 June 2009		**9,000,000**	**1,143,285**	**66,327**	**-**	**715,320**	**-**	**-**	**-**	**10,924,932**

	Hellyer Tailings Dam	Hellyer Operating Infra-structure – Mill Closure and Restoration	Que River Capital Infra-structure	Que River Mine Closure and Restoration	Que River Mine Develop-ment	Fossey Capital Infra-structure	Fossey Mine Closure and Restoration	Fossey Mine Develop-ment	Total
	$	$	$	$	$	$	$	$	$
Balance at 01 July 2009	9,000,000	1,143,285	66,327	-	715,320	-	-	-	10,924,932
Additions	-	-	-	-	4,119,691	1,741,321	483,285	4,463,613	10,807,910
Transfer from capitalised exploration and evaluation	-	-	-	-	418,508	-	-	-	418,508
Amortisation expense		(95,274)	(66,327)	-	(4,232,791)	-	-	-	(4,394,392)
Balance at 30 June 2010	**9,000,000**	**1,048,011**	**-**	**-**	**1,020,728**	**1,741,321**	**483,285**	**4,463,613**	**17,756,958**

13. BUSINESS COMBINATIONS

Prior period acquisition

On 10 December 2008, Hellyer Mill Operations Pty Ltd, a wholly-owned controlled entity, entered into a binding conditional sales agreement with Intec Ltd to acquire the Hellyer operating infrastructure and mining lease.

The agreement included a cash payment of $4.01 million plus a processing royalty of $2.50/tonne contingent upon the quantity of ore processed through the Hellyer Mill, capped at $5 million.

On 19 February 2009, the shareholders resolved in favour of the proposed transaction and on the 12 March 2009, the formal execution of the sales agreement occurred.

In addition to the above cash settlement, Hellyer Mill Operations Pty Ltd placed a $1 million bank guarantee with Mineral Resources Tasmania in June 2009 prior to the transfer of the Hellyer mining lease. This amount is secured by a fixed term deposit and does not form part of the following purchase consideration.

	Note	Fair Value $	$
Cost of acquisition			
Cash consideration paid to Intec Ltd			(4,010,000)
Contingent consideration recognised at the present value of the probable future royalty payments	21		(2,756,319)
			(6,766,319)

The Group provisionally recognised the fair values of the identifiable assets and liabilities of Hellyer Mill Operations Pty Ltd based upon the best information available as of the reporting date. At that date management had not yet decided whether to adopt the tax consolidation regime, and had provisionally calculated the tax cost bases of the assets and liabilities acquired in determining the fair value of the deferred tax assets and liabilities on acquisition.

Management finalised their determination in March 2010, and elected not to adopt the tax consolidation regime. As a result, a final re-assessment of the tax cost bases was required.

As a consequence, an adjustment to gain on acquisition of $1,249,853 has been recognised in the current reporting period, in addition to the initial recognition of $16,692,878 in the prior reporting period, resulting in a total net gain on acquisition of $17,942,731 at acquisition date.

The following assets and liabilities were acquired as part of the transaction and reflect their revised fair values at acquisition date.

	Note	Fair Value $	$
Plant and equipment – ore processing	11	24,056,143	
Inventory	8	251,000	
Mine properties	12	10,143,285	
Mining lease		1	
Total value of assets acquired		34,450,429	
Deduct			
Liabilities assumed or created:			
Provisions	20	(5,224,395)	
Deferred income tax assets/(liabilities)	22	(4,390,937)	
Total amount of liabilities		(9,615,332)	
Net assets acquired			**24,835,097**
Gain on acquisition			**18,068,778**
Acquisition costs – stamp duty			(126,047)
Net gain on acquisition	**2**		**17,942,731**

The above accounting gain has resulted from the Group applying the Business Combinations accounting standard AASB3. Fair values for the above assets have been based on the Independent Experts Report included in the Notice of General Meeting to Shareholders dated 19 February 2009.

14. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2010 $	2009 $
The Group 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	11,949,001	10,403,093
Expenditure capitalised for the period	3,873,326	3,656,308
Write-off resulting from relinquished tenements	(1,774,624)	(1,604,830)
Transfer to mine properties for development of Que River	(418,508)	-
Write-off of project evaluation expenditure	(65,067)	(201,457)
Write-off on tenements not relinquinshed[1]	-	(304,113)
Balance at the end of the period	**13,564,128**	**11,949,001**

Note 1: The above write off on tenements not relinquished is as a result of a review on the carrying values of tenements in which Venture Minerals can earn an interest in as detailed in note 15.

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.

15. INTERESTS IN TENEMENTS

Agreements have been entered into with third parties, whereby Bass can earn an interest in exploration areas by expending specified amounts in the exploration areas. The Group's percentage interests in the future output, having fulfilled its obligations are as follows:

Partner	Licence	Interest
Venture Minerals Limited*	EL31/2003 Heazlewood	100%
Venture Minerals Limited*	EL36/2003 Whyte River	100%
Clancy Exploration Limited	ELA28/2009	75%
Clancy Exploration Limited	ELA20/1010	75%

*Venture Minerals Limited have earned an entitlement to a 70% earn in interest in the above mentioned exploration areas by making or incurring a total expenditure of not less than $650,000 in connection with the exploration for iron, tin and tungsten on the Joint Venture Tenements (Sole Funding) within three (3) years of the date of satisfaction of the conditions precedent in the agreements. Bass retains a 100% right to all other commodities on the tenements. Pioneer Resources Limited retains a 2% net smelter royalty.

16. OTHER FINANCIAL ASSETS

	Consolidated	
	2010 $	2009 $
Non-current		
Capitalised finance costs		
Borrowing costs incurred at cost	179,277	-
	179,277	**-**

Bass Metals Ltd has secured a $12 million project finance facility with RMB Resources Limited for the development of the Hellyer Mine Project. The loan is offered on standard commercial and banking terms for a facility of this type with five principal repayments to be fully repaid by 30 June 2012. The above costs relate to transaction costs in establishing the project finance facility.

17. TRADE AND OTHER PAYABLES

	Consolidated	
	2010 $	2009 $
Current		
Unsecured liabilities:-		
Trade payables	3,203,761	1,173,453
Sundry payables and accrued expenses	1,860,917	722,419
GST payable	-	194,598
Amounts payable to related entity	-	-
	5,064,678	**2,090,470**

18. BORROWINGS

	Consolidated	
	2010 $	2009 $
Current		
Loan[1]	-	156,267
	-	**156,267**

Note 1: The Loan was provided by Hunter Premium Funding Limited for payment of insurance premiums and was for a fixed amount repayable in full by February 2010. The debt is secured by insurance policies purchased under the agreement.

19. DERIVATIVE FINANCIAL LIABILITIES

		Consolidated	
	Note	2010 $	2009 $
Current			
Derivative financial instruments – at fair value[1]	32	-	52,511
		-	**52,511**

Note 1: Fair value is determined in markets actively trading commodity contracts. The fair value is obtained from quoted market bid prices. Further information relating to the derivatives is set out in Note 32.

20. PROVISIONS

The carrying amounts and class of provisions between the beginning and end of the current financial year are set out below:

Consolidated	Note	Hellyer Operating Infrastructure Closure and Restoration	Que River Mine Closure and Restoration	Fossey Mine Closure and Restoration	Short-term Employee Benefits	Long-term Employee Benefits	Mine Contractor Incentive Payment	Total
		$	$	$	$	$	$	$
Balance at 01 July 2008		-	846,000	-	24,432	3,574	-	874,006
Additions		-	272,930	-	19,054	6,102	678,486	976,572
Additions through business combination	13	5,224,395	-	-	-	-	-	5,224,395
Balance at 30 June 2009		**5,224,395**	**1,118,930**	**-**	**43,486**	**9,676**	**678,486**	**7,074,973**
Balance at 01 July 2009		5,224,395	1,118,930	-	43,486	9,676	678,486	7,074,973
Additions		-	-	483,285	132,316	3,560	(286,581)	332,580
Additions through business combination		-	-	-	-	-	-	-
Amounts used during the period		-	-	-	(78,995)	-	-	(78,995)
Increase/ (decrease) in the discounted amount arising because of time and the effect of a change in the discount rate		(466,456)	-	-	-	-	-	(466,456)
Balance at 30 June 2010		**4,757,939**	**1,118,930**	**483,285**	**96,807**	**13,236**	**391,905**	**6,862,102**

	2010 $	2009 $
Analysis of total provisions		
Current	1,607,642	1,840,902
Non-current	5,254,460	5,234,071
	6,862,102	**7,074,973**

Provision for Infrastructure Closure and Restoration

A provision has been recognised for the costs to be incurred for the restoration of the Hellyer Mill site used for the processing of ore. It is anticipated that the Mill site will require restoration within 12 years. A discount rate adjusted to reflect the risk inherent in the mining operations has been applied.

Provision for Mine Closure and Restoration

A provision has been recognised for the costs to be incurred for the restoration of the Que River and Fossey mine sites used for the exploration of base metals. It is anticipated that the mines will require restoration within 12 and 3 years respectively. A discount rate adjusted to reflect the risk inherent in the mining operations has been applied.

Provision for Mine Contractor Incentive Payment

A provision has been recognised for an incentive royalty to be paid to the mine contractor in relation to the Que River mining operation. The purpose of the incentive royalty is to provide an opportunity for the project manager, by contributing to the efficient and economic performance of the mining operation, to be rewarded through a profit interest based payment.

21. CONTINGENT CONSIDERATION

	Note	Consolidated	
Current		**2010 $**	**2009 $**
Contingent consideration[1]	13	915,928	-
Non-current			
Contingent consideration[1]	13	1,878,485	2,756,319

Note 1: The contingent consideration represents the present value of royalties payable on the probable quantity of ore to be processed through the Hellyer Mill.

22. TAX

Consolidated	Opening Balance	Charged to Income	Charged to Equity	Business Combination[1]	Closing Balance
	$	$	$	$	$
Deferred Tax Assets					
Provisions	-	312,319	-	1,567,319	1,879,638
Share issue costs	-	-	120,726	-	120,726
Plant and equipment	-	18,270	-	-	18,270
Other	-	178,047	-	-	178,047
Unused tax losses	-	1,983,924	-	-	1,983,924
Balance at 30 June 2009	**-**	**2,492,560**	**120,726**	**1,567,319**	**4,180,605**
Deferred Tax Liability					
Plant and equipment	-	(4,711)	-	(5,085,816)	(5,090,527)
Capitalised exploration expenditure	-	(3,555,042)	-	-	(3,555,042)
Mine Properties	-	-	-	(2,122,293)	(2,122,293)
Balance at 30 June 2009	**-**	**(3,559,753)**	**-**	**(7,208,109)**	**(10,767,862)**

Consolidated	Opening Balance	Charged to Income	Charged to Equity	Business Combination[1]	Closing Balance
	$	$	$	$	$
Deferred Tax Assets					
Provisions	1,879,638	(301,672)	-	-	1,577,966
Share issue costs	120,726	(105,796)	216,555	-	231,485
Plant and equipment	18,270	6,928	-	-	25,198
Other	178,047	(90,889)	-	-	87,158
Unused tax losses	1,983,924	1,538,636	-	-	3,522,560
Balance at 30 June 2010	**4,180,605**	**1,047,207**	**216,555**	**-**	**5,444,367**
Deferred Tax Liability					
Plant and equipment	(5,090,527)	42,525	-	925,268	(4,122,734)
Capitalised exploration expenditure	(3,555,042)	(500,559)	-	-	(4,055,601)
Mine Properties	(2,122,293)	28,582	-	367,996	(1,725,715)
Inventories	-	(3,706)	-	(43,411)	(47,117)
Other	-	(63,041)	-	-	(63,041)
Balance at 30 June 2010	**(10,767,862)**	**(496,199)**	**-**	**1,249,853**	**(10,014,208)**

Refer to Note 13 Business Combinations for further information.

23. ISSUED CAPITAL

Consolidated	2010 $	2009 $
170,505,386 (2009 : 103,648,803) fully paid ordinary shares	**37,172,160**	**22,294,441**

Ordinary shares

The Group has 170,505,386 (2009: 103,648,803) fully paid ordinary shares.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of fully paid ordinary 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.

Options

- For information relating to the Company employee option plan, including details of options issued, exercised and lapsed during the financial year-end, refer to Note 29 Share Based Payments.
- For information relating to share options issued to key management personnel during the financial year, refer to Note 33 Key Management Personnel.

Capital management

Management controls the capital of the Group by monitoring performance against budget to provide the shareholders with adequate returns and ensure the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

The movement in ordinary shares during the year is as follows:

	2010 Number of Shares	$	2009 Number of Shares	$
At the beginning of the year	**103,648,803**	**22,294,441**	**103,573,803**	**22,097,969**
Issued during the year				
• Ordinary shares issued at 13 cents pursuant to the employee share plan on 23 January 2009	-	-	50,000	6,500
• Ordinary shares issued at 14.5 cents pursuant to the employee share plan on 01 May 2009	-	-	25,000	3,625
• Ordinary shares issued at 23 cents pursuant to the employee share plan on 13 November 2009	100,000	23,000	-	-
• Ordinary shares issued at 29 cents pursuant to the employee share plan on 13 November 2009	100,000	29,000	-	-
• Ordinary shares issued at 23 cents being tranche 1 of the $10 million share placement issued on 07 December 2009	15,207,320	3,497,684	-	-
• Ordinary shares issued at 23 cents being part of the non-renounceable rights issue issued on 29 December 2009	19,149,281	4,404,335	-	-
• Ordinary shares issued at 23 cents being tranche 2 of the $10 million share placement issued on 14 January 2010	28,270,941	6,502,316	-	-
• Ordinary shares issued at 23 cents being part of the non-renounceable rights issue shortfall issued on 14 January 2010	3,929,041	903,679	-	-
• Ordinary shares issued at 23 cents being part of tranche 2 of the $10 million share placement issued on 22 January 2010	100,000	23,000	-	-
Less share issue costs	-	(721,850)	-	-
Current and previously unrecognised tax benefit relating to share issue costs	-	216,555	-	186,347
Balance at the end of the year	**170,505,386**	**37,172,160**	**103,648,803**	**22,294,441**

24. OPTION RESERVE

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.

	Consolidated	
	2010 $	2009 $
Option reserve	1,172,478	799,631
	1,172,478	**799,631**

Further information in relation to the option reserve is set out in note 29.

25. CAPITAL AND LEASING COMMITMENTS

	Consolidated	
	2010 $	2009 $
(i) 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	151,274	112,424
Between 12 months and five years	318,196	121,891
	469,470	**234,315**

The Group has entered into the following operating leases:

(a) A non-cancellable property lease for office space occupied in West Perth. The lease has a three-year term expiring on the 31 August 2011, with rent payable in advance. Contingent rental provisions within the lease agreement require that minimum lease payments shall be subject to annual rent review increased by the greater of CPI or the Market Rent. An option exists to renew the lease for an additional two years. The lease was entered into on the 10 September 2008.

(b) A non-cancellable equipment lease for photocopying equipment at premises occupied in West Perth. The lease has a three-year term and was entered into on the 15 September 2008. Lease payments are payable in advance.

(c) A non-cancellable equipment lease for plant in service at the Hellyer Mill site. The lease has a two-year term expiring on the 31 March 2012, with rent payable in advance. An option exists to purchase the unit at any time during the first 12 month lease period.

	Consolidated	
	2010 $	2009 $
(ii) Capital Expenditure Commitments		
Exploration Tenements In order to maintain current rights of tenure to exploration tenements, the Group 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	546,000	507,050
Between 12 months and five years	1,780,000	2,061,000
Greater than five years	-	-
	2,326,000	**2,568,050**

26. OPERATING SEGMENTS

Segment information

The operating segments identified are based on geographical location, different risk profiles and performance assessment criteria.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the following:

- the products sold/and or services provided by the segment;
- the manufacturing or production processes.

Reportable segments

Tasmanian Operations - Mining
The Tasmanian Operations - Mining segment produces ore from its Tasmanian mining operations, containing zinc, lead, copper, silver and gold.

Tasmanian Operations- Processing
The Tasmanian Operations - Processing segment includes the Hellyer Mill and associated infrastructure and is anticipated to treat ore generated by the Group's mining operations as well as from third parties.

Exploration
The exploration segment covers activities related to the identification and discovery of new and additional mineral resources.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted
Unless stated otherwise, all amounts reported to the Board of Directors with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

Inter-segment transactions
Inter-segment loans receivable and payable are recognised at the consideration to be received/paid and are eliminated.

Segment assets
Where an asset is used across multiple segments, the asset is allocated to the segment that has greatest influence over the asset economic value. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Unallocated items
The following items of revenue, expense and assets are not allocated to operating segments as they are not considered part of the core operations of any segment:

- corporate costs;
- interest revenue and expense;
- share based payments;
- derivatives;
- income tax expense;
- deferred tax assets (except for those relating to the closure provision for the Hellyer Mill).

Comparative information
This is the first reporting period in which AASB 8: Operating Segments has been adopted. Comparative information has been re-stated to conform to the requirements of the Standard.

Operating Segments	Tasmanian Operations – Mining	Tasmanian Operations- Processing	Exploration	Total
2009	**$**	**$**	**$**	**$**
Revenue				
Sales to external customers	23,807,499	-	-	23,807,499
Other revenue from external customers	8,872	-	-	8,872
Total segment revenue	**23,816,371**	**-**	**-**	**23,816,371**
Depreciation and amortisation	6,764,310	-	-	6,764,310
Reportable segment profit/(loss) before income tax	**7,345,509**	**(859,871)**	**-**	**6,485,638**
Reportable segment assets	**2,066,577**	**37,122,750**	**12,085,337**	**51,274,664**
Additions to non-current assets:				
Plant and equipment	-	24,187,125	-	24,187,125
Mine properties	4,322,344	10,143,285	-	14,465,629
Capitalised exploration and evaluation	-	-	3,656,308	3,656,308

Reconciliation of reportable segment revenues, profit or loss, and assets	Total
	$
Revenues	
Total revenue for reportable segments	23,816,371
Unallocated amounts:	
Other revenue	41,128
Net gain on derivative financial instruments	1,082,986
Net gain on acquisition of Hellyer operating infrastructure and mining lease	16,692,878
Interest revenue	336,978
Consolidated revenue	**41,970,341**
Profit or loss	
Total profit/(loss) for reportable segments	6,485,638
Unallocated amounts:	
Other profit/(loss)	408,405
Other corporate expenses	(2,028,619)
Net gain/(loss) on derivative financial instruments	1,082,985
Net gain on acquisition of Hellyer operating infrastructure and mining lease	16,692,878
Share based payments	(113,666)
Write off of project evaluation expenditure	(2,272,484)
Consolidated profit/(loss) before income tax	**20,255,137**
Assets	
Total assets for reportable segments	51,274,664
Unallocated amounts:	
Cash and cash equivalents	4,542,837
Trade and other receivables	5,786,198
Plant and equipment	159,564
Derivative financial assets	5,747
Other assets	231,283
Deferred tax assets	2,613,286
Consolidated total assets	**64,613,579**

Operating Segments 2010	Tasmanian Operations – Mining	Tasmanian Operations- Processing	Exploration	Total
	$	$	$	$
Revenue				
Sales to external customers	18,193,121	-	-	18,193,121
Total segment revenue	**18,193,121**	**-**	**-**	**18,193,121**
Depreciation and amortisation	4,299,118	95,274	-	4,394,392
Reportable segment profit/(loss) before income tax	**4,194,114**	**(1,811,121)**	**-**	**2,382,993**
Reportable segment assets	**8,658,191**	**40,102,887**	**13,685,336**	**62,446,414**
Additions to non-current assets:				
Plant and equipment	-	2,181,561	-	2,181,561
Mine properties	11,226,418	-	-	11,226,418
Capitalised exploration and evaluation	-	-	3,873,326	3,873,326

Reconciliation of reportable segment revenues, profit or loss, and assets	Total
	$
Revenues	
Total revenue for reportable segments	18,193,121
Unallocated amounts:	
Other revenue	519,362
Net gain on acquisition of Hellyer operating infrastructure and mining lease	1,249,853
Interest revenue	526,038
Consolidated revenue	**20,488,374**
Profit or loss	
Total profit/(loss) for reportable segments	2,382,993
Unallocated amounts:	
Other profit/(loss)	1,045,400
Other corporate expenses	(3,006,375)
Net gain/(loss) on derivative financial instruments	(221,849)
Net gain on acquisition of Hellyer operating infrastructure and mining lease	1,249,853
Share based payments	(372,847)
Write off of project evaluation expenditure	(2,034,217)
Consolidated profit/(loss) before income tax	**(957,042)**
Assets	
Total assets for reportable segments	62,446,414
Elimination of inter-segment assets	(10,764)
Unallocated amounts:	
Cash and cash equivalents	9,471,543
Trade and other receivables	4,728,166
Plant and equipment	341,769
Derivative financial assets	148,370
Other assets	152,628
Deferred tax assets	4,016,985
Consolidated total assets	**81,295,111**

(a) Geographical Region

The Group operates within one geographical region of Australia.

(b) Major Customers

The Group supplies a single external customer in the mining segment who accounts for 95% (2009: 94%) of external revenue.

27. CASH FLOW INFORMATION

(a) Reconciliation of cash flows from operations with profit/(loss) after income tax

	Consolidated	
	2010 $	**2009 $**
Operating profit/(loss) after income tax	**(406,034)**	**19,122,323**
Non-cash flows in profit:		
Depreciation and amortisation	4,520,646	6,862,100
Provision for employee benefits	135,876	25,155
Provision for mine contractor incentive payment	(286,581)	678,486
Contingent consideration	38,094	-
Increase/(decrease) in the discounted amount for infrastructure closure and restoration	(466,456)	-
Non-current asset write-off	1,840,651	5,017
Share option expense	372,847	113,666
Amortisation of deferred tax assets relating to share issue costs	216,555	65,621
Gain on acquisition of Hellyer operating infrastructure and mining lease	(1,249,853)	(16,818,925)
Net loss on derivative financial instruments	416,983	-
Unrealised gain on derivatives	(195,134)	-
	4,937,594	**10,053,443**
Change in operating assets and liabilities net of the effects of business combination acquisition:		
(Increase)/decrease in trade and other receivables	1,187,707	(2,328,139)
(Increase)/decrease in inventories	530,589	(37,975)
(Increase)/decrease on other assets – closure and restoration	(483,285)	-
(Increase)/decrease on other financial assets	(179,277)	-
(Increase)/decrease in provision for restoration	483,285	(272,930)
(Increase)/decrease in other assets – derivatives	-	2,754,698
(Increase)/decrease in deferred tax assets relating to items affecting the income statement	(1,263,762)	(2,492,560)
Increase/(decrease) in trade and other payables	2,974,208	2,443,150
Increase/(decrease) in provisions	(78,995)	248,498
Increase/(decrease) in deferred tax liability	496,199	3,559,753
Net cash provided by operating activities	**8,604,263**	**13,927,938**

(b) Non-cash financing and investment transactions

- Issue of 100,000 shares to Mr B Hamilton for $23,000 through the granting of a loan by the Company under Share Purchase Plan.
- Issue of 100,000 shares to Mr B Burdett for $29,000 through the granting of a loan by the Company under Share Purchase Plan.

28. CONTINGENT LIABILITIES

At the end of the financial period the Group had no contingent liabilities.

29. SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2010.

(i) Bass Metals Ltd Share Purchase Plan

The Bass Metals Ltd Share Purchase Plan was approved by shareholders at an annual general meeting held on 27 November 2007. 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: (market value x 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 300,000 shares issued under this Plan.

(ii) Bass Metals Ltd Employee Share Option Plan

The Bass Metals Ltd Employee Share Option Plan was approved by shareholders at an annual general meeting held on 27 November 2007. The Directors of the Company 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 of shareholders.

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.

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

	2010 Number of Options	2009 Number of Options
Outstanding at the beginning of the year (exercise price 37.5 cents, expiring 02 November 2011)	250,000	125,000
Granted	-	125,000
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	**250,000**	**250,000**
Outstanding at the beginning of the year (exercise price 37.5 cents, expiring 31 December 2011)	350,000	400,000
Forfeited	(125,000)	(50,000)
Exercised	-	-
Expired	-	-
Outstanding at year-end	**225,000**	**350,000**
Outstanding at the beginning of the year (exercise price 51 cents, expiring 31 December 2012)	525,000	665,000
Forfeited	(100,000)	(140,000)
Exercised	-	-
Expired	-	-
Outstanding at year-end	**425,000**	**525,000**
Outstanding at the beginning of the year (exercise price 42.5 cents, expiring 16 October 2012)	-	-
Granted	1,455,000	-
Forfeited	(180,000)	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	**1,275,000**	**-**
Outstanding at the beginning of the year (exercise price 25.0 cents, expiring 01 September 2013)	-	-
Granted	100,000	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	**100,000**	**-**
Outstanding at the beginning of the year (exercise price 35.0 cents, expiring 01 September 2013)	-	-
Granted	100,000	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	**100,000**	**-**

(iii) Total Unlisted Options

	2010		2009	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the year	2,500,000	0.350	2,790,00	0.350
Granted	3,505,000	0.348	125,000	0.375
Forfeited	(405,000)	0.431	(415,000)	0.370
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	5,600,000	0.342	2,500,000	0.350
Exercisable at year-end	**3,775,000**	**0.322**	**2,500,000**	**0.350**

The above table includes both employee and key management personnel share options.

Options outstanding at 30 June 2010 had a weighted average exercise price of $0.342 (2009 $0.350) and a weighted average remaining contractual life of 2.1 years (2009: 2.7 years). Exercise prices range from $0.250 to $0.510 in respect of options outstanding at year end. The Company share price at year end was $0.165.

The weighted average fair value price for options granted during the year was $0.348 (2009 $0.375). This price was calculated by using a Black-Scholes option pricing model applying the following inputs at grant date:

Options issued	300,000
Grant date	07/12/2009
Expiry date	31/12/2012
Weighted average exercise price	$0.260
Weighted average life of the option	2.5 years
Underlying share price	$0.260
Expected share price volatility	80.0%
Risk free interest rate	4.92%
Options issued	300,000
Grant date	07/12/2009
Expiry date	31/12/2012
Weighted average exercise price	$0.285
Weighted average life of the option	2.5 years
Underlying share price	$0.260
Expected share price volatility	80.0%
Risk free interest rate	4.92%
Options issued	300,000
Grant date	07/12/2009
Expiry date	31/12/2012
Weighted average exercise price	$0.305
Weighted average life of the option	2.5 years
Underlying share price	$0.260
Expected share price volatility	80.0%
Risk free interest rate	4.92%
Options issued	950,000
Grant date	07/12/2009
Expiry date	31/12/2012
Weighted average exercise price	$0.300
Weighted average life of the option	2.5 years
Underlying share price	$0.260
Expected share price volatility	80.0%
Risk free interest rate	4.92%

Options issued	1,455,000
Grant date	16/10/2009
Expiry date	16/10/2012
Weighted average exercise price	$0.425
Weighted average life of the option	2.3 years
Underlying share price	$0.330
Expected share price volatility	80.0%
Risk free interest rate	5.29%
Options issued	100,000
Grant date	27/10/2009
Expiry date	01/09/2013
Weighted average exercise price	$0.350
Weighted average life of the option	3.2 years
Underlying share price	$0.305
Expected share price volatility	80.0%
Risk free interest rate	5.33%
Options issued	100,000
Grant date	27/10/2009
Expiry date	01/09/2013
Weighted average exercise price	$0.250
Weighted average life of the option	3.2 years
Underlying share price	$0.305
Expected share price volatility	80.0%
Risk free interest rate	5.33%

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. Included under share option expense in the Statement of Comprehensive Income is $372,847 (2009: $113,666) and relates, in full, to equity-settled share-based payment transactions.

30. EVENTS AFTER THE BALANCE SHEET DATE

The financial report was authorised for issue on 10 September 2010 by the Board of Directors.

The Group continues to develop the Hellyer Mine Project and is incurring capital expenditure consistent with the project budget approved by the Board. During September 2010, the Board also executed the $12 million project finance facility with RMB Resources Limited to complete the capital funding requirements of the project. Consistent with the terms of that agreement, the Group is in the process of satisfying certain conditions in preparation for drawing on that facility; including the issuing of options to the financier and the execution of a base metal hedging program.

There has not been any other matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Group.

31. RELATED PARTY TRANSACTIONS

Transactions between related parties are as follows:

(a) Key Management Personnel

(i) Taurus Funds Management Pty Ltd, an entity related to Mr C McGown, was paid $35,400 (2009: $3,623) for management consulting, and was reimbursed at cost for expenditure made on behalf of the Group.

(ii) Boyer Exploration and Resource Management Pty Ltd, an entity related to Mr D Boyer, was paid $16,721 (2009: $20,812) for exploration and management consulting, and was reimbursed at cost for expenditure made on behalf of the Group.

(iii) Metals Finance Corporation, an entity related to Mr T Treasure, was paid $9,510 (2009: $nil) for reimbursement at cost for expenditure made on behalf of the Group.

(iv) Intec Hellyer Metals Pty Ltd, an entity related to Mr K Rodgers, was paid $nil (2009: $47,183) for reimbursement at cost for expenditure made on behalf of the Group and for site costs for use of utilities whilst he was a Director.

No balance is outstanding at 30 June 2010 in relation to the abovementioned related parties.

Additional disclosures relating to the remuneration and shareholdings of key management personnel are set out in the Remuneration Report and Note 33 respectively.

(b) Subsidiary

The Company has provided its wholly owned subsidiary Hellyer Mill Operations Pty Ltd with a loan for the acquisition of Hellyer operating infrastructure, payment for the Hellyer mining lease guarantee and care and maintenance expenses. The current amount outstanding at 30 June 2010 is $10,688,726 (2009: $6,334,972). Loans provided to subsidiaries are interest free and have no fixed payment term.

32. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Group's financial instruments consist of at call and short term deposits with banks, accounts receivable and payable, borrowings, leases and derivatives.

Derivatives are used by the Group for hedging purposes. During the financial year these instruments included short dated Australian Dollar (AUD) denominated lead and zinc forward sales. The Group does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management

A Hedge Committee consisting of the Managing Director, the Chief Financial Officer and a Non-executive Director, with experience in financial markets, meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts. The Board is provided with regular updates of the Group's financial instruments.

The Committee's overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The Group operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments.

(ii) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments and operations are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk
Short term borrowings interest rate risk is mitigated as 100% of the debt is at a fixed rate. For further details on interest rate risk refer to Note 32 (b)(iv).

Foreign currency risk
The Group is exposed to fluctuations in foreign currencies arising from the sale of ore and purchase of goods and services in currencies other than the Group's functional currency. Refer to Note 32 (b)(i) for further details.

Liquidity risk
The Group manages liquidity risk by monitoring forecast cash flows and investing in financial instruments which under normal market conditions are readily converted to cash.

Credit risk
The maximum exposure to credit risk at reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

There are no amounts of collateral held as security at 30 June 2010.

Credit risk is managed on a Group basis and reviewed regularly by the Group. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The Group monitors credit risk by actively assessing liquidity of counter parties:

- Only banks and financial institutions with a high rating are utilised for derivative financial instruments; and
- All potential customers are assessed for credit worthiness taking into account their size, market position and financial standing.

The credit risk for counterparties included in trade and other receivables and financial assets at 30 June 2010 are detailed below:

	Consolidated	
	2010 $	2009 $
Trade and other receivables		
Trade receivables - counterparties not rated[1]	4,062,664	5,779,245
Other receivables - counterparties not rated[2]	3,422,250	1,726,530
	7,484,914	**7,505,775**

Note 1 - Bass Metals Ltd currently only has trade receivables with MMG Australia Limited and minor accounts for recharging of expenses.
Note 2 – Other receivables exclude prepayments as detailed in note 7.

Financial assets – Derivative financial instruments		
AA - rated counterparties	148,370	5,747
	148,370	**5,747**
Financial liabilities – Derivative financial instruments		
AA - rated counterparties	-	52,511
	-	**52,511**

Note: The above are based on long term Fitch ratings as at 30 June 2010.

Credit risk for derivative financial instruments arises from the potential failure by counter parties to the contract to meet their obligations.

Price Risk
The Group is exposed to commodity price risk through its Que River mining operations. The Group manages this risk by entering into AUD lead and zinc forward sales. The amount and nature of hedging has been determined and administered by the Hedge Committee in line with the Company's Financial Risk Management Policy Statement.

(b) Financial Instruments

(i) Derivative Financial Instruments

Derivative financial instruments are used by the Group to hedge exposure to exchange rate and price risk associated with ore sales under the ore sales agreement with Minerals and Metals Group.

Consolidated	2010	Average Commodity Price	2009	Average Commodity Price
	$	$	$	$
AUD Zinc forward sales contracts				
Settlement				
Less than 6 months	104,317	2,108 AUD / t	5,369	1,897 AUD / t
AUD Lead forward sales contracts				
Settlement				
Less than 6 months	44,054	2,064 AUD / t	(52,511)	1,998 AUD / t
Total commodity price options	**148,371**		**(47,142)**	

The Group uses short dated AUD denominated lead and zinc forward sales for hedging.

Consolidated	2010	Average Commodity Price	2009	Average Commodity Price
	$	$	$	$
AUD call / USD put foreign exchange options				
Settlement				
Less than 6 months	-	-	378	0.96 AUD/USD
6 months to 1 year	-	-	-	-
Greater than 1 year	-	-	-	-
Total foreign exchange options	-		378	
Total options	**148,371**		**(46,764)**	

(ii) Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instrument. As such, the amounts may not reconcile to the Statement of Financial Position.

Consolidated			Fixed Interest Rate Maturing				
30 June 2009	**Weighted Average Effective Interest Rate**	**Floating Interest Rate**	**Within Year**	**1 to 5 Years**	**Over 5 Years**	**Non-interest bearing**	**Total**
		$	**$**	**$**	**$**	**$**	**$**
Financial Assets:							
Cash & cash equivalents	3.00%	4,544,337	-	-	-	-	4,544,337
Trade and other receivables	3.57%	-	-	1,717,457	-	5,788,318	7,505,775
Derivative financial instruments		-	-	-	-	5,747	5,747
Total Financial Assets		**4,544,337**	**-**	**1,717,457**	**-**	**5,794,065**	**12,055,859**
Financial Liabilities:							
Trade and other payables		-	-	-	-	2,090,470	2,090,470
Short-term borrowings	4.59%	-	156,267	-	-	-	156,267
Derivative financial instruments		-	-	-	-	52,511	52,511
Total Financial Liabilities		**-**	**156,267**	**-**	**-**	**2,142,981**	**2,299,248**

Consolidated			Fixed Interest Rate Maturing				
30 June 2010	**Weighted Average Effective Interest Rate**	**Floating Interest Rate**	**Within Year**	**1 to 5 Years**	**Over 5 Years**	**Non-interest bearing**	**Total**
		$	**$**	**$**	**$**	**$**	**$**
Financial Assets:							
Cash & cash equivalents	5.16%	9,471,543	-	-	-	-	9,471,543
Trade and other receivables	5.68%	-	-	2,765,392	-	4,719,522	7,484,914
Derivative financial instruments		-	-	-	-	148,370	148,370
Total Financial Assets		**9,471,543**	**-**	**2,765,392**	**-**	**4,867,892**	**17,104,827**
Financial Liabilities:							
Trade and other payables		-	-	-	-	5,064,678	5,064,678
Short-term borrowings		-	-	-	-	-	-
Derivative financial instruments		-	-	-	-	-	-
Total Financial Liabilities		**-**	**-**	**-**	**-**	**5,064,678**	**5,064,678**

The above weighted average effective interest rates are as at 30 June 2010.

Trade and other receivables are expected to be received as follows:

	Consolidated	
	2010 $	2009 $
Less than 6 months	4,717,402	5,786,198
6 months to 1 year	2,120	2,120
1 to 5 years	2,765,392	1,717,457
Over 5 years	-	-
	7,484,914	**7,505,775**

There are no balances within trade and other receivables that contain assets that have been impaired and are past due. The Company's ore sales to MMG Australia Limited make up the majority of trade and other receivables expected to be received in less than six months. It is expected these balances will be received when due.

Trade and other payables are expected to be paid as follows:

	Consolidated	
	2010 $	2009 $
Less than 6 months	5,064,678	2,090,470
6 months to 1 year	-	-
1 to 5 years	-	-
Over 5 years	-	-
	5,064,678	**2,090,470**

(iii) Net Fair Values

The net fair values of the Group's at call and short term deposits with banks, accounts receivable and payable, borrowings, leases and derivatives are all in line with the carrying values.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than derivative financial instruments.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at reporting date are as follows:

Consolidated	**2010**	**2009**
	Carrying Amount	**Carrying Amount**
	$	**$**
Financial Assets		
Cash and cash equivalents	9,471,543	4,544,337
Loans and receivables	7,484,914	7,505,775
Derivative financial instruments	148,370	5,747
	17,104,827	**12,055,859**

The fair values of financial assets are comparable to the carrying amount.

Consolidated	**2010**	**2009**
	Carrying Amount	**Carrying Amount**
	$	**$**
Financial Liabilities		
At amortised cost:		
Trade and other payables	5,064,678	2,090,470
Borrowings	-	156,267
Derivative financial instruments	-	52,511
	5,064,678	**2,299,248**

The fair values of financial liabilities are comparable to the carrying amount.

The financial instruments recognised at fair value in the Statement of Financial Position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets and liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Consolidated	Level 1	Level 2	Level 3	Total
2009	**$**	**$**	**$**	**$**
Financial Assets:				
Financial assets at fair value through profit or loss:				
- Derivative instruments	5,747	-	-	5,747
	5,747	**-**	**-**	**5,747**
Financial Liabilities:				
Financial liabilities at fair value through profit or loss:				
- Derivative instruments	52,511	-	-	52,511
	52,511	**-**	**-**	**52,511**

Consolidated	Level 1	Level 2	Level 3	Total
2010	**$**	**$**	**$**	**$**
Financial Assets:				
Financial assets at fair value through profit or loss:				
- Derivative instruments	148,370	-	-	148,370
	148,370	**-**	**-**	**148,370**
Financial Liabilities:				
Financial liabilities at fair value through profit or loss:				
- Derivative instruments	-	-	-	-
	-	**-**	**-**	**-**

(iv) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk, foreign currency risk and price risk at reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the interest rate with all other variables remaining constant would be as follows:

	Consolidated	
	2010 $	**2009 $**
Change in profit		
Increase in interest rate by 1% (100 bps)	119,826	58,263
Decrease in interest rate by 1% (100 bps)	(119,826)	(58,263)
Change in equity		
Increase in interest rate by 1% (100 bps)	119,826	58,263
Decrease in interest rate by 1% (100 bps)	(119,826)	(58,263)

Foreign Currency Risk Sensitivity Analysis

At 30 June 2010, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the US Dollar, with all other variables remaining constant is as follows:

	Consolidated	
	2010 $	**2009 $**
Change in profit		
Increase in AUD to USD by 5%	(951,918)	(1,235,731)
Decrease in AUD to USD by 5%	951,918	1,235,731
Change in equity		
Increase of AUD to USD by 5%	(951,918)	(1,235,731)
Decrease in AUD to USD by 5%	951,918	1,235,731

Price Risk Sensitivity Analysis

At 30 June 2010, the effect on profit and equity in Australian Dollars as a result of changes in the price risk, with all other variables remaining constant would be as follows:

	Consolidated	
	2010 $	**2009 $**
Change in profit		
Increase in zinc price by $200 USD/tonne	705,499	1,275,426
Increase in lead price by $200 USD/tonne	486,017	674,964
Decrease in zinc price by $200 USD/tonne	(705,499)	(1,275,426)
Decrease in lead price by $200 USD/tonne	(486,017)	(674,964)
Change in equity		
Increase in zinc price by $200 USD/tonne	705,499	1,275,426
Increase in lead price by $200 USD/tonne	486,017	674,964
Decrease in zinc price by $200 USD/tonne	(705,499)	(1,275,426)
Decrease in lead price by $200 USD/tonne	(486,017)	(674,964)

33. KEY MANAGEMENT PERSONNEL

This note should be read in conjunction with the remuneration section of the Directors' Report.

(i) Details of Key Management Personnel

Chairman – Non-executive
Mr D Boyer (from 02 August 2004)

Executive Director
Mr M Rosenstreich (from 15 December 2004)

Non-executive Directors
Mr C McGown (from 07 July 2004)
Mr P Treasure (from 02 December 2008)

Other Key Management Personnel
Mr L Henley – Financial Controller (resigned on 09 April 2010)
Dr T Murphy – Exploration Manager (resigned from the Executive 31 August 2008)
Mr B Hamilton – Chief Financial Officer (from 17 September 2009)
Ms S Hunter – Company Secretary (from 28 September 2006)
Mr K Denwer – Exploration Manager (from 01 September 2008)
Mr B Burdett – General Manager Operations – Tasmania (from 03 November 2009)

Refer to the Remuneration Report contained in the Directors' report for details of the remuneration paid or payable to each member of the Group's Key Management Personnel for the year ended 30 June 2010.

The totals of remuneration paid to Key Management Personnel of the Group during the year are as follows:

	Consolidated	
	2010 $	**2009 $**
Short-term employee benefits (salary and leave)	756,126	383,170
Short-term employee benefits (performance bonus)	20,000	-
Post-employment benefits	44,096	41,309
Non-cash benefits	6,425	10,179
Termination benefits	46,631	-
Share-based payments	121,275	5,250
	994,553	**439,908**

(ii) Shareholdings of Key Management Personnel

Shares held directly and indirectly in the Company:

2009	Balance at the start of the period	On exercise of options	On market transactions	Employee share purchase plan	Balance at the end of the period
Mr D Boyer	1,290,000	-	-	-	1,290,000
Mr M Rosenstreich	1,246,251	-	60,000	-	1,306,251
Mr C McGown	1,351,915	-	-	-	1,351,915
Mr P Treasure	-	-	21,611,000	-	21,611,000
Dr T Murphy	50,000	-	-	-	50,000
Mr L Henley	25,000	-	-	25,000	50,000
Mr K Denwer	-	-	-	50,000	50,000
	3,963,166	**-**	**21,671,000**	**75,000**	**25,709,166**

2010	Balance at the start of the period	On exercise of options	On market transactions	Employee share purchase plan	Balance at the end of the period
Mr D Boyer	1,290,000	-	332,336	-	1,622,336
Mr M Rosenstreich	1,306,251	-	162,646	-	1,468,897
Mr C McGown	1,351,915	-	300,431	-	1,652,346
Mr P Treasure	21,611,000	-	4,802,445	-	26,413,445
Mr L Henley[1]	50,000	-	-	-	50,000
Dr T Murphy[2]	50,000	-	-	-	50,000
Mr B Hamilton	-	-	-	100,000	100,000
Ms S Hunter	-	-	17,500	-	17,500
Mr K Denwer	50,000	-	-	-	50,000
Mr B Burdett	-	-	-	100,000	100,000
	25,709,166	**-**	**5,615,358**	**200,000**	**31,524,524**

Note 1 – These were Mr L Henley's relevant interest when he resigned on 09 April, 2010.
Note 2 – Dr T Murphy resigned from the Executive on 31 August 2008. These were Dr T Murphy's relevant interest when he resigned from the company on 16 June, 2010.

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

(iii) Loans to Key Management Personnel

The loans to key management personnel during the year are as follows:

2009	Balance at the start of the period	Additional loans	Repayment of loans	Balance at the end of the period
	$	$	$	$
Dr T Murphy	5,500	8,000	-	13,500
Mr L Henley	6,000	3,625	-	9,625
Mr K Denwer	-	6,500	-	6,500
	11,500	**18,125**	**-**	**29,625**

2010	Balance at the start of the period	Additional loans	Repayment of loans	Balance at the end of the period
	$	$	$	$
Mr L Henley	9,625	-	(9,625)	-
Dr T Murphy	13,500	-	-	13,500
Mr B Hamilton	-	23,000	-	23,000
Ms S Hunter	-	-	-	-
Mr K Denwer	6,500	-	-	6,500
Mr B Burdett	-	29,000	-	29,000
	29,625	**52,000**	**(9,625)**	**72,000**

Under the terms of the employee share option plan no interest is payable in respect of the above loans. Based on fringe benefits tax benchmark interest rate of 5.85% (2009: 9.00%) the following amounts would have been charged on an arm's length basis for the period outstanding during the year.

	2010 $	2009 $
Mr L Henley	437	527
Dr T Murphy	759	203
Mr B Hamilton	844	-
Ms S Hunter	-	-
Mr K Denwer	380	340
Mr B Burdett	1,064	-

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, whichever occurs first.

(iv) Options held by Key Management Personnel

Details of options over ordinary shares provided as compensation to each key management personnel of the Company are set out below. When exercised each option is convertible to one ordinary share in Bass Metals Ltd.

2009	Balance at start of the period	Issued during the period	Exercised during the period	Lapsed during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors						
Mr D Boyer	300,000	-	-	-	300,000	300,000
Mr M Rosenstreich	850,000	-	-	-	850,000	850,000
Mr C McGown	225,000	-	-	-	225,000	225,000
	1,375,000	**-**	**-**	**-**	**1,375,000**	**1,375,000**
Company Executives						
Ms S Hunter	125,000	-	-	-	125,000	125,000
Ms S Hunter	100,000	-	-	-	100,000	100,000
Mr L Henley	125,000	125,000	-	-	250,000	250,000
Mr L Henley	100,000	-	-	-	100,000	100,000
	450,000	**125,000**	**-**	**-**	**575,000**	**575,000**

2010	Balance at start of the period	Issued during the period	Exercised during the period	Lapsed during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors						
Mr D Boyer	300,000	300,000	-	-	600,000	600,000
Mr M Rosenstreich	850,000	900,000	-	-	1,750,000	1,150,000
Mr C McGown	225,000	250,000	-	-	475,000	475,000
Mr P Treasure	-	250,000	-	-	250,000	250,000
	1,375,000	**1,700,000**	**-**	**-**	**3,075,000**	**2,475,000**
Company Executives						
Mr L Henley	350,000	-	-	(350,000)	-	-
Mr B Hamilton	-	-	-	-	-	-
Ms S Hunter	225,000	150,000	-	-	375,000	375,000
Mr K Denwer	-	330,000	-	-	330,000	200,000
Mr B Burdett	-	-	-	-	-	-
	575,000	**480,000**	**-**	**(350,000)**	**705,000**	**575,000**

34. REMUNERATION OF AUDITORS

	Consolidated	
	2010 $	2009 $
Amounts received or due and receivable by Grant Thornton Audit Pty Ltd for:		
Audit or review of the financial reports	57,035	41,382
Consulting - Taxation services	18,750	18,678
Consulting - Other	-	14,795
	75,785	**74,855**
Services by Grant Thornton Corporate Finance (NSW) for:		
Consulting – Independent Experts Report and due diligence services	**-**	**60,490**

35. PARENT ENTITY DISCLOSURE

Financial Position	2010 $	2009 $
Assets		
Current assets	14,414,123	11,121,318
Non-current assets	35,945,048	22,154,368
Total assets	**50,359,171**	**33,275,686**
Liabilities		
Current liabilities	5,635,350	4,113,468
Non-current liabilities	4,538,012	3,564,718
Total liabilities	**10,173,362**	**7,678,186**
Equity		
Issued capital	37,172,160	22,294,441
Retained earnings	**1,841,171**	**2,503,428**
Reserves		
Option reserve	1,172,478	799,631
Total equity	**40,185,809**	**25,597,500**
Financial performance		
Profit/(loss) for the year	(662,257)	3,004,645
Other comprehensive income	-	-
Total comprehensive income/(loss)	**(662,257)**	**3,004,645**
Capital expenditure commitments		
Exploration tenements		
Not later than 12 months	546,000	507,050
Between 12 months and five years	1,780,000	2,061,000
Greater than five years	-	-
	2,326,000	**2,568,050**

36. CONTROLLED ENTITY

Bass Metals Ltd subsidiary for the financial period is:

Hellyer Mill Operations Pty Ltd which is incorporated in Australia – 100% interest (2009: 100%).

DIRECTORS DECLARATION

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 32 to 36 are in accordance with the Corporations Act 2001, including:

      i. Giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 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;

      iii. Complying with International Financial Reporting Standards as disclosed in Note 1.

   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 Managing Director and Chief Financial Officer for the financial year ended 30 June 2010.

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

M Rosenstreich
Managing Director

West Perth, Western Australia
10 September 2010

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE BASS METALS LTD

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Bass Metals Ltd

Report on the financial report

We have audited the accompanying financial report of Bass Metals Ltd (the "Company"), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial 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 controls relevant to the preparation and fair presentation of the financial report that are 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 also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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 which require us to 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.

Grant Thornton

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial 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 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.

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 have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Bass Metals Ltd is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of it's performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

We have audited the Remuneration Report included in pages 33 to 38 of the directors' report for the year ended 30 June 2010. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

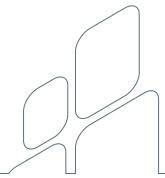
Auditor's opinion on the remuneration report

In our opinion, the Remuneration Report of Bass Metals Ltd for the year ended 30 June 2010, complies with section 300A of the Corporations Act 2001.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Director – Audit & Assurance

Perth, 10 September 2010



6. AUDITOR'S INDEPENDENCE DECLARATION

Under Section 307C of The Corporations Act 2001

Grant Thornton Audit Pty Ltd
ABN 94 269 609 023

10 Kings Park Road
West Perth WA 6005
PO Box 570
West Perth WA 6872

T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of Bass Metals Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Bass Metals Ltd for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Director – Audit & Assurance

Perth, 10 September 2010

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ADDITIONAL INFORMATION

The following additional information is required by the ASX Listing Rules. The information is current as at 22 September 2010.

(a) Distribution schedule and number of holders of equity securities as at 22 September 2010

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 – and over	Total
Fully Paid Ordinary Shares (BSM)	51	322	286	929	244	1,832
Unquoted Options – 27.5c 22/12/11	-	-	-	-	3	3
Unquoted Options – 37.5c 31/12/11	-	-	-	1	1	2
Unquoted Options – 51c 31/12/12	-	-	-	5	-	5
Unquoted Options – 37.5c 02/11/11	-	-	-	-	1	1
Unquoted Options – 25.0c 01/09/13	-	-	-	1	-	1
Unquoted Options – 35.0c 01/09/13	-	-	-	1	-	1
Unquoted Options – 42.5c 16/10/12	-	-	-	20	1	21
Unquoted Options – 30.0c 31/12/12	-	-	-	-	4	4
Unquoted Options – 26.0c 31/12/12	-	-	-	-	1	1
Unquoted Options – 28.5c 31/12/12	-	-	-	-	1	1
Unquoted Options – 30.5c 31/12/12	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares (BSM) as at 22 September 2010 is 144.

(b) Twenty largest holders of quoted equity securities as at 22 September 2010

The names of the twenty largest holders of fully paid ordinary shares (ASX code: BSM) as at 22 September 2010 are:

Rank	Name	No. Shares Held	% of Issued Capital
1	METALS FINANCE LIMITED	26,413,445	15.49
2	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	7,688,260	4.51
3	HSBC CUSTODY NOMINEES <AUSTRALIA>	4,636,508	2.72
4	ANZ NOMINEES LIMITED <CASH INCOME A/C>	3,979,146	2.33
5	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED <BERNDALE A/C>	3,265,625	1.92
6	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	2,283,550	1.34
7	REMOND HOLDINGS PTY LIMITED <THE DEFINA A/C>	2,117,527	1.24
8	NATIONAL NOMINEES LIMITED	2,110,656	1.24
9	FORBAR CUSTODIANS LIMITED <FORSYTH BARR LTD-NOMINEE A/C>	1,960,467	1.15
10	DAMPLIN INVESTMENTS PTY LTD	1,818,887	1.07
11	PIAT CORP PTY LTD	1,641,452	0.96
12	NEFCO NOMINEES PTY LTD	1,599,036	0.94
13	IONIKOS PTY LTD <MCGOWN SUPER FUND A/C>	1,560,673	0.92
14	MR MICHAEL ROSENSTREICH & MS WENDY ROSENSTREICH <ODYSSEY A/C>	1,397,623	0.82
15	MR DAVID DONALD BOYER <DB FAMILY A/C>	1,387,223	0.81
16	BERNE NO 132 NOMINEES PTY LTD <376804 A/C>	1,304,347	0.76
17	CITICORP NOMINEES PTY LIMITED	1,265,358	0.74
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD <CLIENT ACCOUNT>	1,263,000	0.74
19	MR RICHARD KEITH HAMILL + MS SUSAN BELLE HAMILL <HONEYPOT SUPER FUND A/C>	1,200,000	0.70
20	DOUGLAS FINANCIAL CONSULTANTS PTY LTD	1,173,914	0.69
	Total	**70,066,697**	**41.09**

Stock Exchange Listings – Listings have been granted for all ordinary fully paid shares of the Company on issue on ASX and the Deutsche Börse, Berlin and Frankfurt exchanges.

(c) Substantial shareholders

Substantial shareholders in Bass Metals Ltd and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

Name	No. Shares Held	% of Issued Capital
METALS FINANCE LIMITED	26,413,445	15.49

(d) Unquoted Securities

The number of unquoted securities on issue as at 22 September 2010 were as follows:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options	1,375,000	27.5c	22/12/11
Unquoted Options	225,000	37.5c	31/12/11
Unquoted Options	425,000	51.0c	31/12/12
Unquoted Options	125,000	37.5c	02/11/11
Unquoted Options	125,000	37.5c	02/11/11
Unquoted Options	100,000	25.0c	01/09/13
Unquoted Options	100,000	35.0c	01/09/13
Unquoted Options	1,275,000	42.5c	16/10/12
Unquoted Options	950,000	30.0c	31/12/12
Unquoted Options	300,000	26.0c	31/12/12
Unquoted Options	300,000	28.5c	31/12/12
Unquoted Options	300,000	30.5c	31/12/12

(e) Names of persons holding more than 20% of a given class of unquoted securities (other than securities issued under an employee option scheme) as at 22 September 2010

Security	Name	Number of Securities	% of Class
Unquoted Options – 27.5c 22/12/11	D. Boyer <DB Family Trust>	300,000	21.8%
Unquoted Options – 27.5c 22/12/11	M. & W. Rosenstreich <Odyssey A/C>	850,000	61.8%
Unquoted Options – 26c 31/12/12	M. & W. Rosenstreich <Odyssey A/C>	300,000	100%
Unquoted Options – 28.5c 31/12/12	M. & W. Rosenstreich <Odyssey A/C>	300,000	100%
Unquoted Options – 30.5c 31/12/12	M. & W. Rosenstreich <Odyssey A/C>	300,000	100%
Unquoted Options – 30c 31/12/12	D. Boyer <DB Family Trust>	300,000	31.6%
Unquoted Options – 30c 31/12/12	Metals Finance Limited	250,000	26.3%
Unquoted Options – 30c 31/12/12	Ionikos Pty Ltd	250,000	26.3%

(f) Restricted Securities as at 22 September 2010

There are no restricted securities on issue as at 22 September 2010.

(g) Voting Rights

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

Unquoted options have no voting rights.

(h) Company Secretary

The Company Secretary is Ms Susan Hunter.

(i) Registered Office

The Company's Registered Office is 16 Thelma Street, West Perth, Western Australia, 6005.
Telephone +61 8 6315 1300.

(j) Share Registry

The Company's Share Registry is Computershare Investor Services Pty Ltd of Level 2, 45 St Georges Terrace, Perth WA 6000.
Telephone 1300 557 010.

(k) On-Market Buy-back

The Company is not currently performing an on-market buy-back.

(l) Interests in Mining Tenements

The Company's interests in mining tenements are as follows:

Tenement	Interest
EL31/2003 Heazlewood	100%
EL36/2003 Whyte River	100%
EL48/2003 Mt Block	100%
EL24/2004 Bulgobac River	100%
EL28/2009 Lake Margaret	75%
EL20/1010 Sock Creek	75%
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%

* This tenement is held through a sublease between Bass Metals Ltd and Hellyer Mill Operations Pty Ltd which entitles the Company to all the sub surface mining rights.

BassMetals Ltd.

16 Thelma Street, West Perth Western Australia 6005
PO Box 1330 West Perth Western Australia 6872

Telephone 08 6315 1300
Web www.bassmetals.com.au
Facsmile 08 9481 2846
Email admin@bassmetals.com.au