Bass Metals Ltd.

Annual Report

For the year ended 30 June 2012
ABN 31 109 933 995

2012

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CORPORATE DIRECTORY

DIRECTORS

Craig McGown – Non-executive Chairman
Michael Rosenstreich – Managing Director
Tony Treasure – Non-executive Director
Barry Sullivan – Non-executive Director

COMPANY SECRETARY

Susan Hunter

REGISTERED OFFICE

Suite 7, 186 Hay Street
Subiaco WA 6008
PO Box 1330
West Perth WA 6872
Telephone: (08) 6315 1300
Facsimile: (08) 9481 2846
Website: www.bassmetals.com.au
Email: admin@bassmetals.com.au

LEGAL ADVISORS

Ashurst
Level 32, Exchange Plaza
1 The Esplanade
Perth WA 6000

Page Seager Lawyers
162 Macquarie Street
Hobart TAS 7000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
Telephone: 1300 557 010

AUDITORS

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

STOCK EXCHANGE LISTINGS

ASX Ltd (Codes: BSM and BSMO)
Deutsche Börse (R2F-Ber (Berlin) and R2F-FRA (Frankfurt))

CHAIRMAN'S LETTER

Dear Fellow Shareholder

There is little doubt that this past year will be remembered as one of significant transition and turbulence during which your company has been transformed from producer to explorer as a result of operational issues, declining A$ metal prices and an equities market which has, for junior resource companies, became increasingly difficult. While it is little consolation to shareholders whose holding value has been substantially diminished, the pre-emptive actions taken by your Board in January, 2012 have enabled the continuation of your company to wind down its operations in an orderly manner to provide the opportunity to fully repay all its creditors. It is particularly pleasing that through these circumstances our team maintained an enviable safety record of 684 days with no lost time injuries to the end of June, 2012. I would like to acknowledge the support and commitment of all our team to work through this difficult process to achieve an outcome which I hope will see the Company re-engage on a new exploration and growth strategy.

As you will have read in your Company's July ASX releases, a binding sale agreement for Hellyer Mine Operations Pty Ltd which owns the Hellyer Plant, gold in tailings resource and certain tenements, was executed with Singapore listed gold resource investor and developer, LionGold Corp Ltd (LionGold) for $13.5 million. The transaction was due to settle in August, until LionGold failed to settle, repudiating and breaching the agreement. Whilst clearly a setback, there has been renewed interest from other parties to acquire these assets and the Company is looking to achieve a timely sale process. At the same time, the Company is pursuing LionGold for damages through legal action.

"I would like to acknowledge the support and commitment of all our team to work through this difficult process to achieve an outcome which I hope will see the Company re-engage on a new exploration and growth strategy."

Production

All ore production in the past year was derived from the Fossey underground mine and totaled 383,000 tonnes. Sales of concentrate in the year totaled $94 million which comprised a total of 49,400 tonnes of zinc concentrate, 21,100 tonnes of lead concentrate and 3,000 tonnes of silver-copper-gold concentrate. Whilst there were some clear operational improvements, the anticipated ongoing ramp-up of plant recoveries failed to materialise in January, 2012 putting in doubt the Company's cash flow forecasts for the next 12 months. As a result, a complete re-assessment of the operations was undertaken in conjunction with RMB Australia Holdings Limited, your company's bankers which determined that the Hellyer operations should be wound down with a view to placing the plant on care and maintenance which was done in June.

Exploration

All exploration work ceased in late January, 2012 as the focus moved to the efficient wind down of the Hellyer operations and the re-allocation of all spare cash to debt repayment. Notwithstanding this several outstanding results were achieved such as the very high grade McKay drill intercept near Hellyer and the encouraging soil anomaly data from the Newton Prospect near Mt Lyell; all providing a highly prospective platform from which to restart exploration. Unfortunately, the exploration team has been largely disbanded, though several key people were able to be retained. They will be pivotal to restarting exploration on the Hellyer regional and Lake Margaret tenements.

Outlook

My fellow directors and I are confident that, subject to completing an alternative asset sale program, the Company has a sound future based on its highly prospective land position and valuable asset base. Whilst several key members of the operating and exploration team are no longer with the Company, there remains a considerable level of expertise in exploration and project evaluation as well as transactional experience and the Company looks forward to entering into a rebuilding phase. The Board is presently focused on the framework for a revised business strategy which we look forward to presenting to all stakeholders in the near future.

I would like to thank you as shareholders of Bass Metals for your support throughout the year in terms of your participation in the September, 2011 entitlements issue and your patience as this process has continued to date.

Yours sincerely

C McGown

Chairman

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REVIEW OF OPERATIONS

Bass Metals operations during the year comprised the Hellyer Mine Project (HMP) which involved mining polymetallic (zinc-lead-silver-gold-copper) ore from the underground Fossey Mine and processing at the Company's Hellyer Plant to produce separate zinc, lead and silver-copper-gold concentrates. In the past year, a total of 450,000 tonnes was processed to produce 49,400 tonnes of zinc concentrate, 21,100 tonnes of lead concentrate and 3,000 tonnes of silver-copper concentrate, generating sales of $94.15 million. All operations had been shut down as at the 30 June, following an orderly wind down process through the June quarter.

1. SUSTAINABILITY

1.1 Safety

The Company achieved an excellent safety record through the year with no Lost Time Injury (LTI) incidents during the 12 month period. On completion of the Hellyer mining Operations, the site had achieved 684 LTI free days, which is a credit to the entire work force given the difficult operating conditions experienced during the period.

1.2 Environment

The Company continues to take a proactive and dedicated approach to environmental management of both legacy issues and those arising from its own activities. Acid mine drainage and the quality of run-off water is the major focus for environmental management activities and expenditure.

At the Que River site, care and maintenance type rehabilitation work continued with only minor remedial work now remaining to be completed.

Around the Hellyer site, in particular the Hellyer Tailings Storage Facility (TSF), Bass Metals completed the installation of an automated process system to monitor and treat contaminated water run-off into the TSF.

The Company has detailed care and maintenance plans for both the Que River and Hellyer sites approved by the Tasmanian EPA which it is implementing to maintain and improve upon the current high environmental management standards and outcomes.

2. OPERATIONS

The HMP commenced development in early 2010 when a 900 metre long decline to access the newly discovered Fossey orebody, was started. Processing of Fossey ore commenced in February 2011 through the recently refurbished Hellyer Plant. Concentrate sales agreements were executed with Nyrstar for the zinc and lead concentrates and LN Metals for silver-copper-gold concentrate.

The Company revised its mine plan and underground dewatering systems through June to September 2011 following negative grade reconciliation trends and a sudden high water inflow into the mine. However in January 2012, the operating plan had to be further revised to reflect emerging operational problems, increasing mining costs and declining AUD metal prices;

- Mining - modified mining shapes based on the latest geotechnical assessments incorporating higher levels of planned mining dilution, reducing the ore grades.
- Processing – downward adjustment of assumed budgeted improving recoveries to reflect previous production performance, which resulted in lower payable metal content;
- Metal prices – incorporating metal prices consistent with the declines evident in the September and December quarters of 2011 in AUD terms, which were significantly lower than the prices used in June 2011 for the revised budget forecasts.
- The financial assessment indicated that the three factors above in combination, for a sustained period of the project life were likely to have a major adverse impact on the longer term financial performance of the project, compared to the original estimates. Based on these findings, the Company designed a "work-out" plan to accelerate cash flow to reduce debt.
- The operational performance under the recently completed work-out performed well compared to budget forecasts. The objective was to minimise expenditure by reducing mine development and focus only on ore production from stopes as well as change to a fixed price per tonne of ore contract. The final ore from the Fossey mine was extracted on the 4th of May 2012. The total tonnage recovered from the mine stopes and hauled to the Hellyer run-of-mine (ROM) stockpile for processing exceeded the original forecasts due to improved mining recoveries and lower dilution.

The installation of a concrete plug in the Fossey decline was completed on the 26th of June. The concrete plug is an effective means to reduce costs and risks associated with managing ground water flow from the Fossey mine workings when in care and maintenance mode. The plug does not preclude re-entering the mine in the future if metal prices and the overall mine life warrant.

The Hellyer plant treated the last of the Fossey ore on the 11th June and was then placed on care and maintenance.

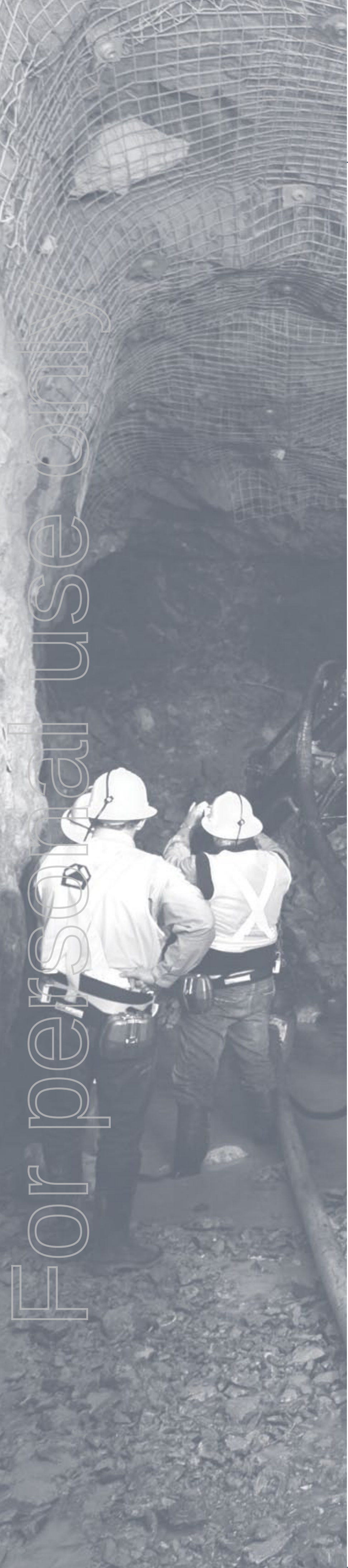
Regrettably, the majority of staff and contractors had to be made redundant as all operations ceased and the site was placed on care and maintenance. The Company is very appreciative of their ongoing commitment to achieving the work-out plan objectives and their continued focus on safety.

Full production statistics for the FY2012 are presented in Table 1 and in Figures 1 to 4.

Table 1: HMP Production Summary FY 2012

Description	UoM	FY 2012	FY 2011	Var. (units)	Var. (%)	Project to Date
MINE PRODUCTION						
Underground Development	m	1,415	2,235	-821	-37	4,188
Mine Ore Production	t	382,709	152,239	230,471	151%	534,948
Mine Ore Grades						
Zinc	%	7.9%	7.4%	0.6%	8%	7.8%
Lead	%	4.3%	4.0%	0.3%	7%	4.2%
Silver	g/t	97.6	109.1	-11.5	-11%	101
Gold	g/t	1.7	1.9	-0.2	-10%	1.7
Copper	%	0.32%	0.24%	0.08%	34%	0.30%
PROCESSING						
UG Ore Treated	t	404,818	130,130	274,688	211%	534,948
Reclaimed Material		46,990	31,384	15,606	50%	78,374
Total Material Processed		451,808	161,514	290,294	180%	613,322
Concentrator Feed Grades						
Zinc	%	8%	5.8%	2.2%	38%	7.5%
Lead	%	4.4%	3.4%	1.0%	29%	4.2%
Silver	g/t	98.5	99.3	-0.78	-1%	99
Gold	g/t	1.9	1.6	0.3	18%	1.8
Copper	%	0.35%	0.20%	0.15%	73%	0.32%
Concentrates produced						
Zinc concentrate	t	49,371	101,103	39,268	389%	59,474
Zinc grade	%	51.8%	48.1%	3.7%	8%	51.2%
Silver grade	g/t	101	153	-52	-34%	110
Gold grade	g/t	1.3	1.1	0.2	19%	1.3
Lead concentrate	t	21,131	4,252	16,879	397%	25,383
Lead grade	%	56.3%	50.9%	5.5%	11%	55.4%
Silver grade	g/t	623	738	-114	-15%	642
Gold grade	g/t	2.2	2.6	0.4	-17%	2.3
Copper-precious metals concentrate	t	3,032	499	2,533	508%	3,531
Copper	%	16.6%	17.4%	-0.9%	-5%	16.7%
Silver	g/t	3,667	6,205	-2,537	-41%	4,026
Gold	g/t	13.4	11.8	1.6	14%	13.2
Lead	%	8.8%	10.9%	-2.1%	-19%	9.1%
Metal recoveries into primary concentrate						
Zinc	%	79%	64%	14%	22%	76%
Lead	%	67%	48%	18%	37%	63%
Copper	%	35%	33%	2%	7%	35%

Note rounding errors will occur



3. SPECIAL PROJECTS

Gold Recovery Study

During the year the Company completed a major metallurgical testwork program to identify appropriate processing routes for its refractory Hellyer Tails gold resource. The technical and financial assessments indicated a positive economic return utilising the Albion processing method to recover gold and silver, warranting further work.

Figure 1: Processed Tonnes and Grade (Pb+Zn) by campaign

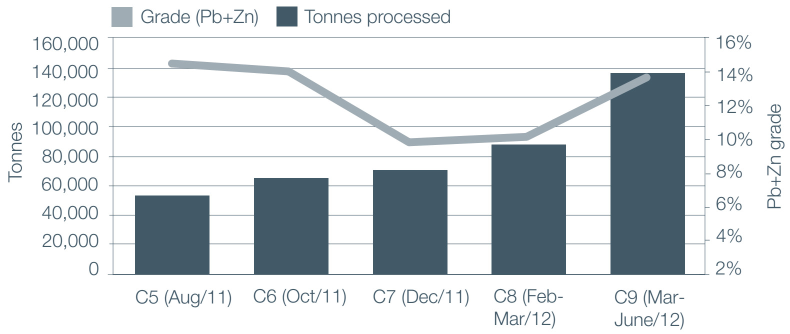
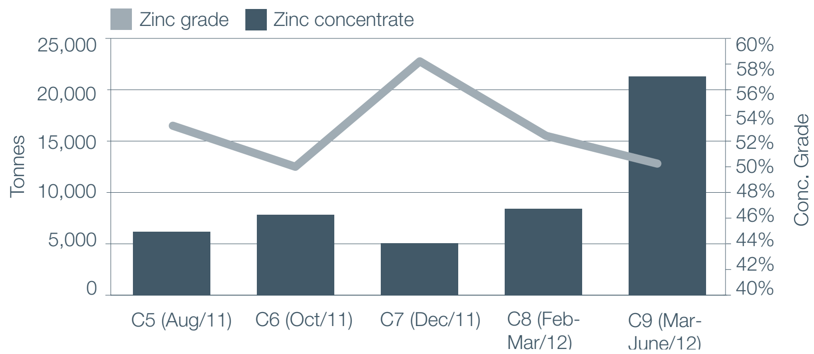
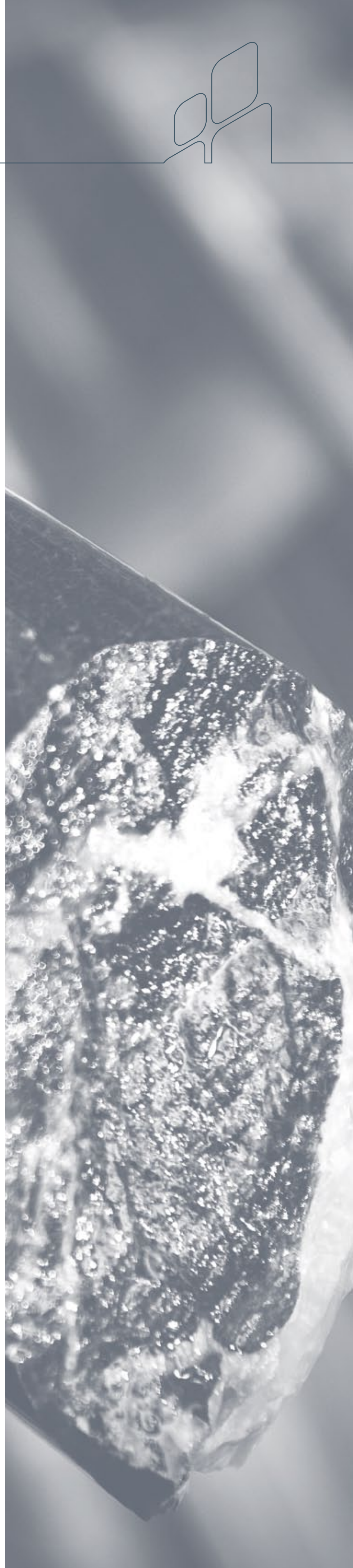


Figure 2: Zinc concentrate produced; tonnes and zinc grade by campaign





4. MINERAL RESOURCES AND ORE RESERVES

Bass Metals has a polymetallic Mineral Resource inventory comprising high grade massive sulphide base and precious metal mineralisation. The following summary of resources is based on a recent review of all Ore Reserves and Mineral Resources, taking into account recent mining costs and metal prices.

4.1 Mineral Resources

4.1.1 Massive sulphide resources

Bass Metals' generally high grade, polymetallic massive sulphide resources comprise the Fossey, Fossey East and Que River resources (refer Figure 6 for resource locations). These estimates are all reported at a (Pb+Zn)>5% grade cut off in Table 2 below in accordance with the JORC Code.

Figure 3: Lead concentrate produced; tonnes and lead grade by campaign

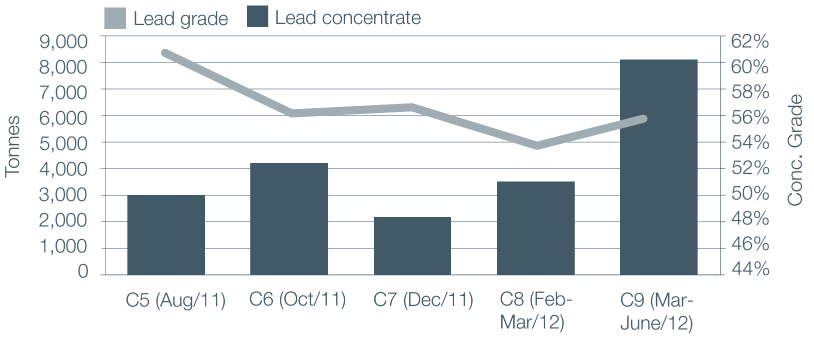


Figure 4: Copper concentrate produced; tonnes and copper grade by campaign

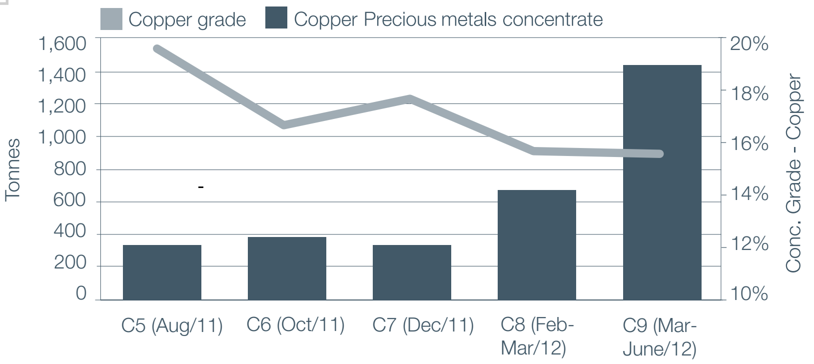


Table 2: Combined Polymetallic Massive Sulphide Mineral Resources estimates as at 30 June 2012, (at a 5% lead + zinc cut-off)

Location	JORC classification	'000 TONNES	Copper %	Lead %	Zinc %	Silver (g/t)	Gold (g/t)
	Measured	175	0.5	7.0	12.4	137	2.8
	Indicated	200	0.5	6.0	11.1	94	1.8
	Inferred	50	0.4	4.7	8.7	99	2.3
Fossey & Fossey East	**Total**	425	0.5	6.3	11.4	112	2.3
	Indicated	640	0.4	4.0	6.8	83	1.3
	Inferred	110	0.2	4.9	8.1	107	1.5
Hellyer Remnants	**Total**	750	0.3	4.1	7.0	87	1.3
	Indicated	160	0.2	3.8	6.5	96	1.2
	Inferred	140	0.3	4.2	7.4	104	1.2
Que River basemetals	**Total**	300	0.2	4.0	6.9	100	1.2
	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
Que River S-lens	**Total**	380	2.0	1.3	3.4	63	0.3
	Measured	235	0.8	5.5	9.9	121	2.2
	Indicated	1260	0.7	3.8	6.9	83	1.2
	Inferred	360	0.6	3.8	6.7	93	1.3
Total	**Total**	1,855	0.7	4.0	7.3	90	1.3

Note rounding errors will occur

5. EXPLORATION

Exploration activity during the 2012 financial year was reduced due to the priority allocation of available cash to operations and debt repayment. Bass Metals completed a modest exploration program, focused mainly around its Fossey mine for total expenditure of $2.55 million, which included 6,635 metres of diamond drilling from 27 drill holes. There were two notable successes;

- the validation of a new exploration model, with the high grade McKay intersection (7 metres at 22.3% zinc, 9.9% lead, 0.7% copper, 181 g/t silver and 3.4 g/t gold) to the north east of Fossey; and
- a very encouraging coincident copper, lead, zinc and silver in soil anomaly at the Newton target, on the Lake Margaret EL.

Bass Metals' current tenements are shown in Figure 5 and the major prospect locations on the Mine Leases are shown in Figure 6. All exploration activities were suspended in late January 2012 due to the Company's financial constraints. The exploration team has been reduced to essential personnel consisting of a Senior Geologist and Senior Field Technician, with the Managing Director assuming the role of Exploration Manager.

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Figure 5: Bass Metals tenement location plan – NW Tasmania.

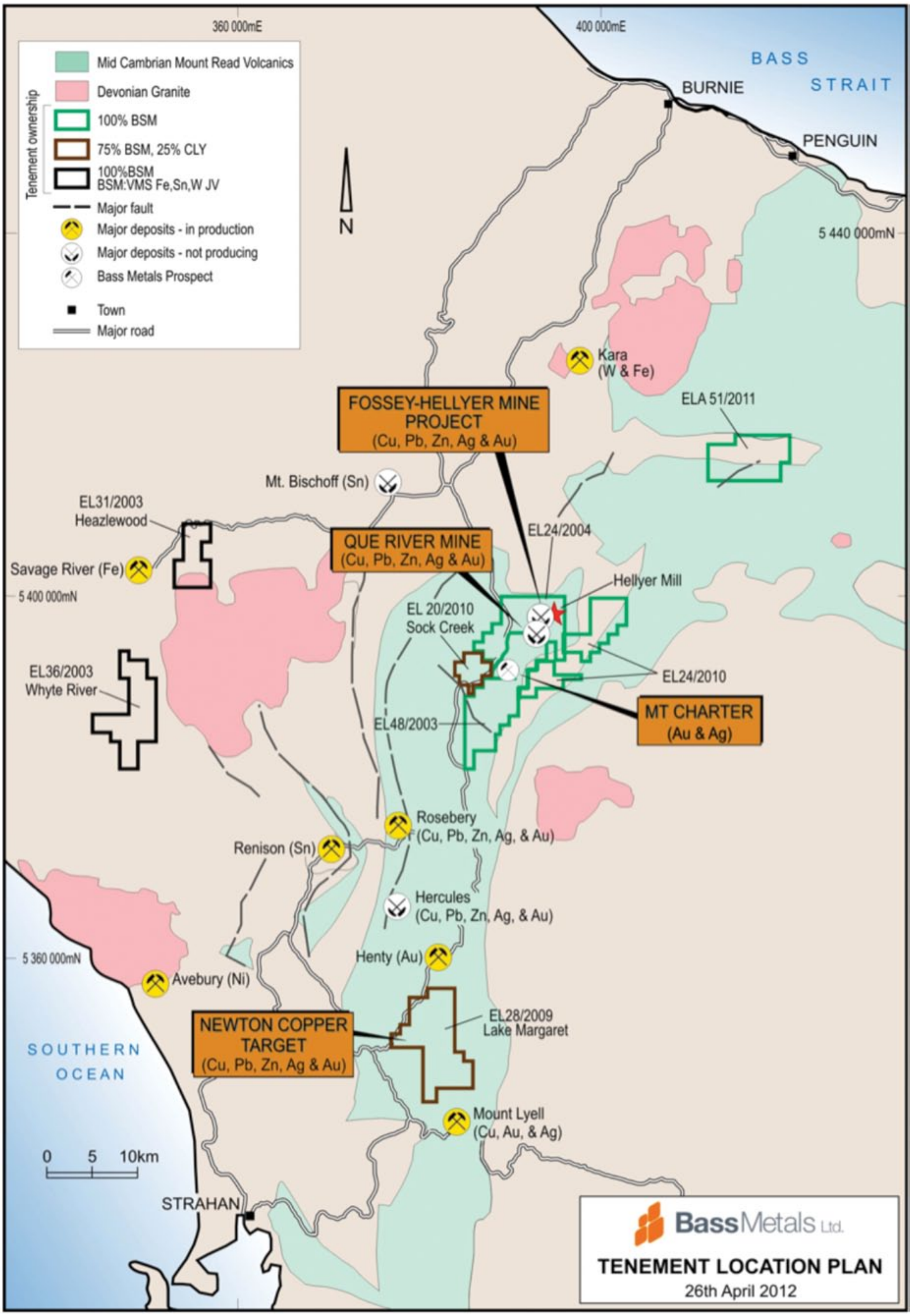
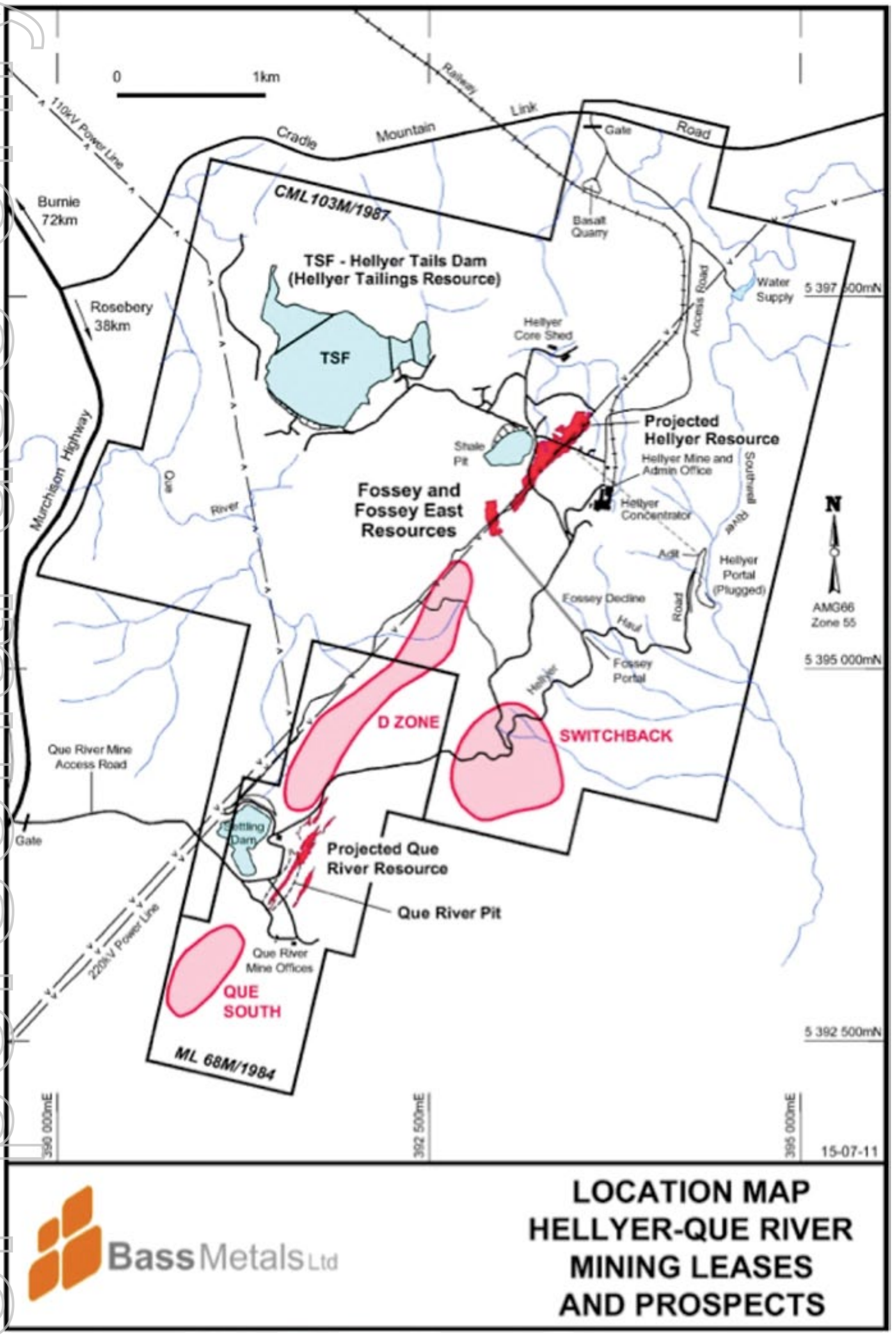


Figure 6: Hellyer Mine Lease, major prospects:

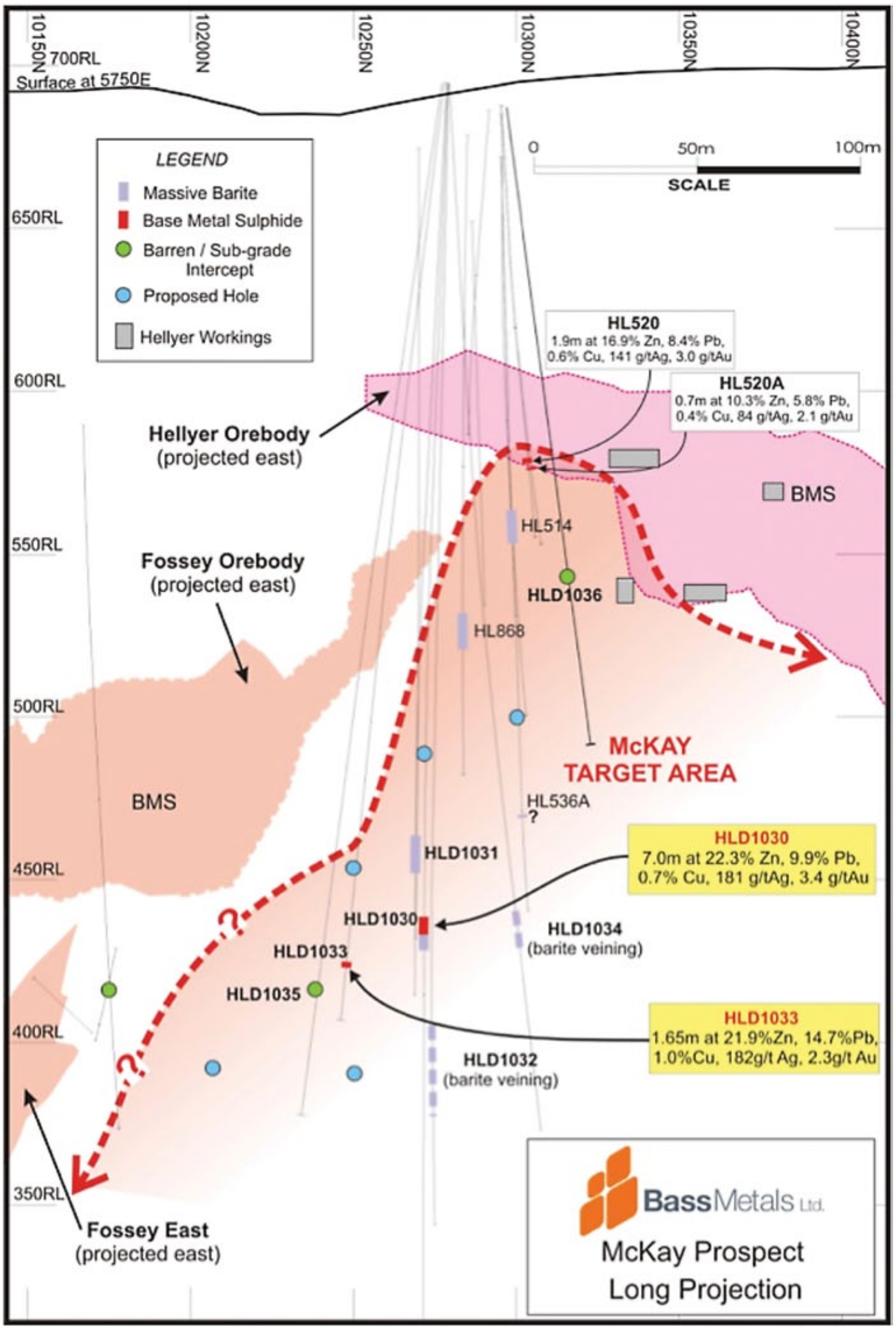


5.1. Hellyer Mine Corridor Exploration

Drilling in the Hellyer-Mt Charter Corridor during the year comprised twenty seven diamond drill holes for 6,635 metres:

- seven drill holes at the McKay Prospect (2,382 metres)
- sixteen drill holes at Fossey East from underground, as part of the infill program (2,645 metres).
- one hole at Fossey West (260 metres).
- three drill holes at D-Zone (1,348 metres).

Figure 7: Long Projection showing McKay Prospect drilling results.



5.1.1 McKay Prospect

The McKay prospect is an exciting discovery made in July 2011. The discovery diamond drill hole, HLD1030, intersected 7.0 metres at 22.3 % zinc, 9.9 % lead, 0.7 % copper, 181 g/t silver and 3.4 g/t Au. This drill hole contained not only a very high grade intersection but it is also located deep within the "footwall" alteration zone and confirmed that a new target zone had been found. In following up this intersection, a total of seven drill holes for 2,382 metres were completed. Details of these drill holes (HLD1030-HLD1036) are shown in Figure 7 and significant intersections are summarised in Table 3.

An interpretation of drilling results at McKay indicates at least two major and several minor NW trending, sub-vertical faults which appear to be terminating or off-setting the mineralisation intersected in HLD1030. The faulting is clearly complex, and interpretations suggest some potential may exist down plunge to the south.

Table 3: Drill hole intersections - McKay Prospect

From (m)	To (m)	Drilled interval (m)	Established true thickness (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
HLD1030 (at > 5% (Pb+Zn) cut-off)								
276.7	283.7	7.0	4.9	22.3	9.9	0.7	181	3.4
Within a zone (defined by barite alteration)								
276.7	287.8	11.1	7.8	14.9	6.5	0.5	130	2.6
HLD1031 (at > 5% (Pb+Zn) cut-off) *no intercepts*								
Within a zone (defined by barite alteration)								
257.25	270.3	13.05	11.0	0.6	0.4	<0.1	12	1.4
HLD1032 (at > 5% (Pb+Zn) cut-off) *no intercepts*								
HLD1033 (at > 5% (Pb+Zn) cut-off)								
296.35	298.0	1.65	1.2	21.9	14.7	1.0	182	2.3
HLD1034 (at > 5% (Pb+Zn) cut-off) no intercepts								
HLD1035 (at > 5% (Pb+Zn) cut-off) no intercepts								
HLD1036 (at > 5% (Pb+Zn) cut-off) no intercepts								

5.1.2 Fossey East

A 25 metre spaced underground infill diamond drilling program was completed at Fossey East during the year. This data enabled recognition of a low grade barite zone occurring centrally to two zones of high-grade base metal sulphide mineralisation, within much of the originally defined Fossey East resource outline. Details of significant intersections are summarised in Table 4.

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Table 4 - Drill hole intersections - Fossey East (2011-2012):

From (m)	To (m)	Drilled interval (m)	Established true thickness (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
FUD0066 (at > 5% (Pb+Zn) cut-off)								
113.4	119	5.6	4.9	14.7	5.4	0.7	109	2.1
Within a zone (defined by barite alteration)								
113.4	135.4	22	19.5	4.7	1.7	0.2	45	0.9
FUD0067 (at > 5% (Pb+Zn) cut-off) *no intercepts*								
Within a zone (defined by barite alteration)								
119	130	11	9	0.7	0.3	0.0	19.5	0.7
FUD0068 (at>5% (Pb+Zn) cut-off) *no intercepts*								
Within a zone (defined by barite alteration)								
120	134	14	13.5	1.1	0.3	0.1	39	1.5
FUD0069 (at > 5% (Pb+Zn) cut-off)								
114.6	116.4	1.75	1.7	8	3.3	0.4	38	2.4
134.2	136.5	2.3	2.3	17.7	8.0	0.6	235	4.3
Within a zone (defined by barite alteration)								
111.6	136.5	24.9	24	3.1	1.2	0.1	49	1.9
FUD0070 (at > 5% (Pb+Zn) cut-off)								
103	106	3	3	9.6	3.0	0.3	39	1.9
Within a zone (defined by barite alteration)								
102	128.9	26.9	26	2.1	0.8	0.1	40	1.0
FUD0072 (at > 5% (Pb+Zn) cut-off)								
120.2	124.4	4.2	4.0	16.6	8.8	2.2	71	0.9
FUD0073 (at > 5% (Pb+Zn) cut-off) *no intercepts*								
FUD0074 (at > 5% (Pb+Zn) cut-off) *no intercepts*								
FUD0075 (at > 5% (Pb+Zn) cut-off) *no intercepts*								
FUD0076 (at > 5% (Pb+Zn) cut-off) *no intercepts*								
FUD0081 (at > 5% (Pb+Zn) cut-off)								
129.6	139.0	9.4	7.2	16.4	10.3	1.1	75	1.2
146.0	148.0	2.0	2.0	6.6	3.6	0.3	77	1.9
Within a zone (defined by barite alteration)								
129.6	149.0	19.4	17.0	8.9	5.5	0.5	51	1.0
FUD0082 (at > 5% (Pb+Zn) cut-off)								
123.3	127.0	3.7	3.6	8.6	4.3	0.4	55	1.8
Within a zone (defined by barite alteration)								
123.3	136.2	12.9	12.5	3.0	1.4	0.1	39	1.1
FUD0099(at > 5 % (Pb+Zn) cut-off)								
91.8	106.0	14.2	12.5	14.9	7.5	0.9	69	1.3
FUD0100 – *assays pending*								
FUD0101 – *assays pending*								

A new resource estimate incorporating the new drilling data was undertaken and is reported in Table 5 below. The tighter drill spacing has resulted in a higher grade but lower tonnage estimate than the original estimate based on 50 metres drill hole centres, at the same grade cut-off. This is due to better definition of the Fossey East mineralised envelope, in particular the intervening low grade zone. This resource estimate has been reported in accordance with the JORC (2004) Code by Bass employees (please refer Competent Persons Statement and checklist at the end of this section).

Table 5 – Fossey East Mineral Resources at >5% (Pb+Zn)

Category	'000 TONNES	Cu%	Pb%	Zn%	Ag (g/t)	Au (g/t)	Ba%	Density
Measured	5	0.6	9.1	16.3	189	3.1	13.9	4.40
Indicated	120	0.6	6.0	12.1	90	2.0	17.1	4.23
Inferred	30	0.4	4.7	9.5	93	2.3	21.7	4.31
Total	155	0.5	5.8	11.6	93	2.1	18.0	4.25

Note rounding errors will occur

To further increase the geological confidence in the Fossey East resource, a final infill diamond drilling program was commenced in December 2011, to reduce the drill spacing to a nominal 12.5 x 12.5 metre spaced pattern, as used for the Fossey ore body. This drilling program was also designed to better define the lower contact of the Fossey East mineralisation for mine planning, as the thickest and highest grade intersections occur in this location.

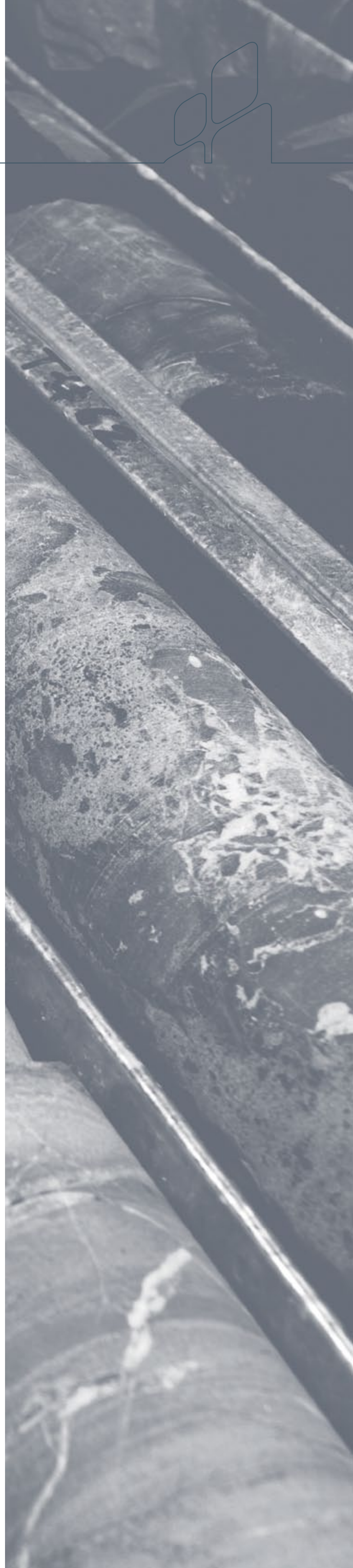
A 21 drill hole, 2,500 metre program was commenced from the 445 level of the Fossey mine but only three drill holes were completed before drilling was suspended in January 2012. Assay results are summarised in Table 4.

5.1.3 D-Zone – Que South

The D-Zone and Que South prospects (Figure 6) have long been recognised as significant alteration zones. In Bass' geochemical and Short Wavelength Infra-Red drill core surveys, both prospects were highly anomalous in all criteria, including pathfinder elements.

Historic stratigraphic analysis interpreted much of this alteration to occur in the footwall, below the main ore forming horizon. However, the recent interpretation that Fossey East and McKay mineralisation occurs deep within the footwall alteration zone opens up areas for additional exploration, previously considered to be un-prospective.

Diamond drilling commenced at D-Zone in November 2011 with three drill holes for 1,349 metres completed (HED25-27) before drilling was suspended in January 2012. Major zones of alteration were intersected in all drill holes and are contributing significant new information in testing this new footwall target area as well as better defining the conventional stratigraphic ore horizon.



5.2 Regional Exploration

Bass' current tenement position is shown in Figure 5, including the new ELA 51/2011 over prospective limestone areas.

5.2.1 Lake Margaret (EL 28/2009) *Bass Metals 75% Clancy Exploration 25%*

The Company received assay results for a partial digest assay method soil sampling program completed at the Newton Copper Target in January, 2012. The results highlight a coincident lead, zinc, copper and silver anomaly over the interpreted target area, namely the contact between the volcanics and the Owen Conglomerate directly up-slope from the ore-grade copper bearing glacial erratic (Figure 8). This is the same geological setting as the high-grade North Lyell copper-gold deposit to the south. The Newton Copper Target is interpreted as the source of the high grade copper-silver-gold erratic boulder identified in the glacial cover sequence. This soil anomaly is currently open to the south and additional partial digest soil sampling and an airborne electromagnetic survey are planned to further refine targets prior to drill testing.

5.2.2 Heazlewood (EL 31/2003) *Venture Minerals 70% (Sn-W-Fe) Bass Metals 30%*

During the year EL31/2003 was reduced significantly from an area of 101 km2 to 21km2 covering the northwestern margin of the Meredith Granite and Oonah Formation, Success Creek Group and Crimson Creek Formation within 6 km of the Meredith Granite contact. Soil and stream sediment samples were collected by Venture Minerals over geophysical and stratigraphic tin-tungsten-magnetite skarn targets in the southern part of EL31/2003, adjacent to the contact of the Meredith Granite.

5.2.3 EL36/2003 Whyte River *Venture Minerals* *70% (Sn-W-Fe) Bass Metals 30%*

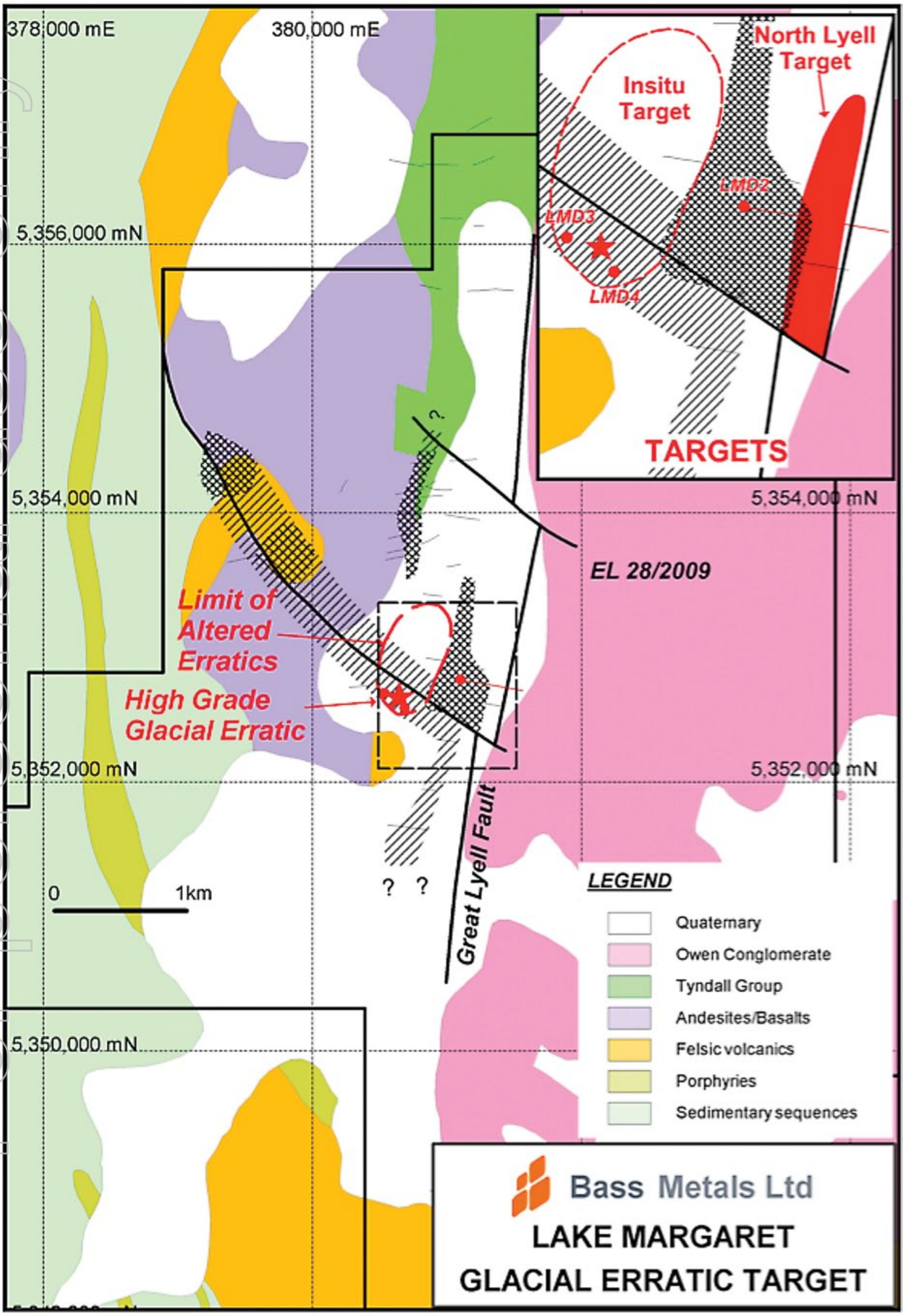
Venture Minerals collected a small number of stream sediment samples testing for tin in the Rocky River area.

Competent Persons Statement

Mineral Resources & Exploration Results

The information within this report that relates to exploration results and Mineral Resource estimates is based on information compiled by Mr. Steve Richardson and Mr Michael Rosenstreich who are both employees of the Company. Mr Richardson and Mr Rosenstreich are members of The Australasian Institute of Mining and Metallurgy. They both 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 both consent to the inclusion of this information in the form and context in which it appears in this report.

Figure 8: Newton Creek copper target location plan.



Checklist of Assessment and Reporting Criteria- Fossey & Fossey East Resource Estimate

Criteria	Comments
Geological Setting	Fossey / Fossey East is a Volcanic Hosted Massive Sulphide deposit comprising dominantly baritic mineralisation, associated with areas of high-grade Base Metal Sulphide (BMS) and underlain by minor stringer and disseminated mineralisation. The deposit is dominantly stratiform but Fossey East in part appears to cross-cut stratigraphy.
Tenement and land status	The deposit occurs within Hellyer Mining Lease CML103M/87 and is wholly owned by Bass Metals Ltd.
Drilling	The current resource estimate is based on 122 intercepts on nominal 12.5m (Fossey) or 25m (Fossey East) centres – 33 Bass surface holes, 14 historic surface holes and 75 Bass underground holes. In addition 24 sets of continuous chip samples from underground cross-cuts through Fossey mineralisation were used. All Bass Metals Ltd holes were diamond-drilled and NTW, NQ or LTK60-sized core recovered (diameters of 56mm, 47.6mm or 45.2mm respectively). Historic 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 drilling with close to 100% recovery in the ore zones. Similar high recoveries were achieved by historic drilling. Surface drilling is on E-W sections and underground holes are drilled as skewed fans from several underground sites.
Logging	All drill holes have been geologically logged using standard Que-Hellyer logging codes. Wet and dry digital photographs of all Bass Metals 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 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 hangingwall and footwall.
Assaying	Half core samples were submitted for assay, with SG determination conducted by the laboratory on each assay sample. For Bass infill drilling, samples were submitted to ALS Laboratories in Burnie, Tasmania. Samples were analysed for Cu, Pb, Zn, Ag, As and Fe (AAS), Ba, S and Si (XRF) and Au (fire assay). For the original 2007-2009 surface drilling programs samples were assayed for Cu, Pb, Zn, Ag, As and Fe, using a modified aqua regia digest followed by ICP, at Amdel laboratories in Adelaide, South Australia. Au and Ba were assayed at Ammtec (now ALS) laboratories in Burnie, using fire assay and pressed powder XRF respectively. QA-QC involved standards, blanks and duplicates (one of each every 25 samples). Historic assays were carried out on half core at Aberfoyle's company laboratory (now the ALS 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	Historic drill-hole collar locations were measured by the Hellyer Mine surveyor, Bass surface drill-holes by a contract surveyor and Fossey / Fossey East underground holes by the Fossey Mine surveyor.
Database integrity	The drill hole database used comprises historical data in ASCII format and Bass 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	The Fossey orebody strikes grid NNW and has the broad cross sectional form of a folded 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. • BMS Zone - Underlying the massive barite zone is banded to massive BMS. The boundary of the footwall of the BMS is a sharp contact. The internal boundary between the BMS and Barite zones is usually a sharp mappable contact but occasionally is a gradational grade boundary. • 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 centimeters thick. Fossey East mineralisation occurs as a roughly tabular lens striking grid north and dipping steeply east. At its' southern end massive barite joins and continues down-dip from the Fossey deposit but to the north it diverges and occurs east and below the main Fossey body. Fossey East mineralisation terminates to the north on the Easy St. Fault whilst to the south and at depth mineralisation lenses out.
Estimation and modelling techniques	Elements were estimated using ordinary kriging, restricted to mineralisation domain boundaries. Variography of all elements was studied and grade continuity modelled.

Checklist of Assessment and Reporting Criteria- Fossey & Fossey East Resource Estimate continued

Cut-off parameters	The outer boundary of the Fossey and Fossey East barite and BMS zones is based on sharp geological contacts. The internal boundary between the two zones can be gradational and a boundary of 5%(Pb+Zn) was chosen as the best grade which provided good continuity between holes and from section to section. Immediately underlying the BMS zone at Fossey holes usually contain stringer vein and / or disseminated to semi-massive mineralisation. This domain was wireframed at a cutoff of 5%(Pb+Zn.
Previous Mining	Mining of the Fossey deposit began in December 2010 with development ore being sourced from the 465 level. Longhole open stoping production commenced in March 2011. To mine closure on 4th May 2012 a total of 535KT of ore was hauled to the Hellyer Mill ROM grading 0.3% Cu, 4.2% Pb, 7.8% Zn, 1.7g/t Au and 101g/t Ag.
Mining factors / assumptions.	No assumptions have been made about mining factors.
Metallurgical factors	No assumptions have been made about metallurgical treatment.
Bulk density	Where no bulk density measurement was available (514 of 4112 assay samples in the mineralised zones, mostly continuous chip samples) 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	The current resource estimate is an update of an earlier estimate (July 2011) that was reviewed by resource consultant specialists, Snowden Group.

Checklist of Assessment and Reporting Criteria for Que River Pb-Zn Resource 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 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 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 hangingwall and footwall.
Assaying	For Bass Metals 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 drill-hole collar locations have been measured by a contract surveyor and historic holes by Que River Mine surveyor.

Checklist of Assessment and Reporting Criteria for Que River Pb-Zn Resource Estimate continued

Database integrity	The drill hole database used comprises historical data in ASCII format and Bass 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 or metallurgical factors for resources. For S Lens 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.

Checklist of Assessment and Reporting Criteria for S lens, Que River 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.
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 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.

Checklist of Assessment and Reporting Criteria for S lens, Que River Resource Estimate continued

Logging	All drill holes have been geologically logged using standard Que-Hellyer mine logging codes. Wet and dry digital photographs of all Bass Metals 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 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 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 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 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 / Metal assumptions	No assumptions were made about mining or metallurgical factors for resources. For S Lens 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
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.

Bass Metals Ltd.

Directors' Report & Financial Statements

For the year ended 30 June 2012

ABN 31 109 933 995

2012

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DIRECTORS' REPORT

The directors of Bass Metals Ltd present their report together with the financial statements of the consolidated entity, being Bass Metals Ltd ("Bass Metals" or "Company") and its controlled entity ("Group") for the year ended 30 June 2012 and the independent audit report thereon.

Directors

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

Mr Craig Ian McGown – Independent Non-executive Chairman
B.Com, FCA, ASIA
Appointed – 7 July 2004

Mr McGown has more than 40 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 Comfmerce 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 Ltd as an executive director and as the executive chairman of DJ Carmichael Pty Ltd.

Other Current Directorships:

Mr McGown is an executive director of New Holland Capital Pty Ltd, non-executive chairman of Pioneer Resources Limited and non-executive director of Peel Mining Limited.

Previous Directorships (Last Three Years):

Entek Energy Limited – Resigned 28 February 2011

Mr Michael Benjamin Rosenstreich – Managing Director
B.Sc (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 mining and banking sectors. He is a geologist with 13 years' experience gained in both exploration and mining roles including senior management positions with companies such as Homestake Mining, Dominion Mining and Consolidated Gold.

From 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 full time managing director of Bass Metals since December 2004.

Mr Rosenstreich holds an Honours degree in Geology from Otago University (NZ) and a Masters of Mineral and Energy Economics at Macquarie University. He is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

Previous directorships (last 3 years):

No other directorships have been held during this period.

Mr Patrick Anthony Treasure – Non-executive Director
B.Sc (Hons), MAIMM, MAICD
Appointed – 2 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. Mr Treasure has extensive experience in corporate management, technology development, project evaluation and development.

Other Current Directorships:

Mr Treasure is managing director of Metals Finance Ltd, a company of which he was a founding director and primary architect of its business plan.

Previous directorships (last 3 years):

No other directorships have been held during this period.

Mr Barry James Kevin Sullivan – Non-executive Director
B.Sc (Min), ARSM, AusIMM, MAICD
Appointed – 9 January 2012

Mr Sullivan is an experienced mining engineer who has had a successful career in the mining industry, both in South Africa with Anglo American Ltd (1969 – 1974) and in Australia with Mount Isa Mines (MIM) from 1974 to 1995. He had six years as Executive General Manager at Mount Isa, in which capacity he was responsible for total operations including regional exploration, four underground mines and one open cut mine, power stations, dams and comprehensive support services.

Other Current Directorships:

Mr Sullivan is a non-executive chairman of Exco Resources Limited and a non-executive director of Lion Selection Limited.

Previous directorships (last 3 years):

Catalpa Resources Limited – Resigned 18 October 2011

Mr David Donald Boyer – Independent Non-executive Chairman
B.Sc (Hons), FAIMM (CP), MAIG, MAICD
Appointed – 2 August 2004

Resigned – 31 December 2011

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.

Previous directorships (last 3 years):

Midas Resources Limited – Resigned 23 June 2011

Mr Rickman Victor Rajasooriar – Executive Director
B.Eng (Mining), MAusIMM
Appointed – 18 November 2011

Resigned – 30 April 2012

Mr Rajasooriar is a mining engineer with over 15 years' experience in underground and open pit mining operations across a range of commodities and countries. Prior to joining Bass Metals, he was the Mining Operations Manager for Gold Fields Limited, overseeing the Agnew operation, having previously held senior management roles with Grange Resources Limited and Newmont Mining Limited. Mr Rajasooriar was appointed as the Company's Chief Operating Officer in October 2010 and joined the board as Executive Director – Operations in November 2011.

Other Current Directorships:

Mr Rajasooriar is the managing director of Breakaway Resources Limited.

Previous directorships (last 3 years):

No other directorships have been held during this period.

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

Ms Hunter has over 18 years' experience in the corporate finance industry.

Susan is founder and managing director of consulting firm Hunter Corporate Pty Ltd, which specialises in the provision of corporate governance and company secretarial advice to ASX listed entities.

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 Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia and is currently Company Secretary for four other Australian Stock Exchange listed companies and is a non executive director or Quickflix Ltd.

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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 Year

The loss from ordinary activities after income tax expense for the Group was $54,926,065 (2011: $13,786,165).

Following a series of adverse technical issues affecting the Hellyer mine project and successful execution of the subsequent workout strategy, the Company announced a major asset sale to retire debt and recapitalise. Refer to Events Subsequent to Reporting Date on page 37 of the Directors' Report for further information.

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 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 entities 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 focussing 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 on an annual basis. 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, 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 director's fees will be $85,000 per annum for the Chairman and $60,000 per annum for non-executive directors, inclusive of statutory superannuation contributions effective 1 April 2011. Shareholders approved on 30 November 2010 the aggregate remuneration for all non-executive directors at an amount of $350,000 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 Employee Share Loan Scheme and the Bass Metals Ltd Employee Performance Incentive Plan which were both approved by shareholders at the 2010 annual general meeting held on 30 November 2010. Any issue of shares to directors under the Bass Metals Ltd Employee Share Loan Scheme or options or performance rights under the Bass Metals Ltd Employee Performance Incentive Plan will be subject to shareholder approval pursuant to the provisions of the ASX Listing Rules and the Corporations Act 2001.

From time to time non-executive directors may undertake specific tasks in addition to their role as non-executive directors. The basis of remuneration for such tasks is agreed between the non-executive director and the Company.

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 Employee Share Loan Scheme and the Bass Metals Ltd Employee Performance Incentive 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 and are expensed over the vesting period of the options.

Base Salary

Executive remuneration is structured as a "total employment cost" package comprising cash, leave benefits and superannuation, and is reviewed annually with regard to competitiveness and performance. There are no guaranteed salary increases fixed in any senior executive 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 Employee Share Loan Scheme

Information on the Bass Metals Ltd Employee Share Loan Scheme is set out in Note 28.

Bass Metals Ltd Employee Performance Incentive Plan

Information on the Bass Metals Ltd Employee Performance Incentive Plan is set out in Note 28.

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 year executives of the Company 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 for 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 following table. The objective of the reward scheme 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 2012

The following table discloses the remuneration of the key management personnel 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 Directors										
Mr M B Rosenstreich[1]	2012	436,900	–	15,774	–	–	20,100	–	4.2	472,774
	2011	384,801	50,000	15,199	–	–	144,131	8.4	24.2	594,131
Mr R V Rajasooriar[2]	2012	332,100	–	24,767	–	–	45,361	–	11.2	402,228
	2011	181,090	15,000	11,010	–	–	74,820	5.3	26.5	281,920
Non-executive Directors										
Mr D D Boyer[3]	2012	40,250	–	–	–	–	–	–	–	40,250
	2011	77,500	–	–	–	–	–	–	–	77,500
Mr C I McGown[4]	2012	177,950	–	–	–	–	–	–	–	177,950
	2011	60,000	–	–	–	–	–	–	–	60,000
Mr P A Treasure[5]	2012	60,000	–	–	–	–	–	–	–	60,000
	2011	52,500	–	–	–	–	–	–	–	52,500
Mr B J K Sullivan[6]	2012	30,000	–	–	–	–	–	–	–	30,000
	2011	–	–	–	–	–	–	–	–	–
Total Directors	**2012**	**1,077,200**	**–**	**40,541**	**–**	**–**	**65,461**	**–**	**22.3**	**1,183,202**
	2011	**755,891**	**65,000**	**26,209**	**–**	**–**	**218,951**	**6.1**	**20.5**	**1,066,051**
Company Executives										
Ms S P Hunter[7]	2012	103,680	–	–	–	–	–	–	–	103,680
	2011	84,884	–	–	–	–	5,466	–	6.0	90,350
Mr R K Holder[8]	2012	215,737	–	13,390	–	–	–	–	–	229,127
	2011	–	–	–	–	–	–	–	–	–
Mr B Burdett[9]	2012	45,185	–	16,294	–	–	17,859	–	22.5	79,338
	2011	265,000	15,000	15,199	–	–	137,157	3.5	31.7	432,356
Mr K P Denwer[10]	2012	189,460	–	44,897	–	–	570	–	0.2	234,927
	2011	170,000	10,000	15,199	–	–	25,628	4.5	11.6	220,827
Mr A J Brazier[11]	2012	273,923	–	18,597	–	–	15,585	–	5.0	308,105
	2011	–	–	–	–	–	–	–	–	–
Total Company Executives	**2012**	**827,985**	**–**	**93,178**	**–**	**–**	**34,014**	**–**	**3.6**	**955,177**
	2011	**519,884**	**25,000**	**30,398**	**–**	**–**	**168,251**	**3.4**	**22.6**	**743,533**

Note 1: During 2012 Mr Rosenstreich's short term benefits included $50,000 for unused accrued annual leave.

Note 2: Mr Rajasooriar was appointed a director on 18 November 2011 and resigned on 30 April 2012. He resigned his employment with the Company on 30 June 2012.

Note 3: During 2012 $30,187 (2011: $77,500) of Mr Boyer's short term benefits listed above were paid and a further amount of $10,063 remains payable to Boyer Exploration and Resource Management Pty Ltd, a company in which Mr Boyer is a director. Mr Boyer resigned on 31 December 2011.

Note 4: During 2012 $139,266 (2011: $60,000) of Mr McGown's short-term benefits listed above were paid and a further amount of $38,684 remains payable to Resource Investment Capital Advisors Pty Ltd of which Mr McGown is a director.

Note 5: During 2012 $37,500 (2011: $52,500) of Mr Treasure's short-term benefits listed above were paid and a further amount of $22,500 remains payable to Metals Finance Ltd, a company in which Mr Treasure is a director.

Note 6: Mr Sullivan was appointed a director on 9 January 2012.

Note 7: During 2012 $103,680 (2011: $84,884), being Ms Hunter's short-term benefits were paid to Hunter Corporate Pty Ltd, a company in which Ms Hunter is a director.

Note 8: Mr Holder was appointed General Manager – Tasmanian Operations on 10 October 2011. His position with the Company was made redundant on 30 June 2012.

Note 9: Mr Burdett resigned his employment with the Company on 28 October 2011.

Note 10: Mr Denwer resigned his employment with the Company on 25 May 2012.

Note 11: Mr Brazier was appointed Chief Financial Officer on 27 June 2011. He resigned his employment with the company on 2 August 2012.

Other than the executive director and Company executives, no other person is concerned in, or takes part in, the management of, or has authority and responsibility for planning, directing and controlling the activities of the Company. As such, during the financial year, the Company did not have any person, other than directors and Company executives, that complies with the definition of "Key Management Personnel" for the purposes of AASB 124: Related Party Disclosures or "Company Executive" for the purposes of section 300A of the Corporations Act 2001 ("Act").

The fair value of options issued to Key Management Personnel is calculated at grant date 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 28. The value disclosed above is a portion of the fair value of the options allocated to this reporting period.

Employment Contracts

The Company's Managing Director is retained via an employment contract dated 3 August 2011 and is valid to 30 June 2014. The agreement provides for a total package amount inclusive of prescribed superannuation and for participation in the Company's Employee Share Loan Scheme and Employee Performance Incentive Plan. The cash remuneration inclusive of superannuation paid under the agreement from 1 July 2011 is $400,000 base salary and is subject to review (which includes setting short term incentive milestones) prior to 31 December 2011 and on 30 June thereafter to 30 June 2014.

All directors have agreed to a 20% reduction in salary and fees consistent with the reduced scale of the Company's activities.

Company executives other than the Company Secretary are employed under contracts, with no fixed term and a minimum of two months' notice period.

The Company Secretary is employed under a service agreement with Hunter Corporate Pty Ltd. This agreement is terminable on 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 issued not on performance criteria, but to increase goal congruence between the Company's various stakeholders.

	Vested number	Granted number	Grant date	Value per option at grant date	Exercise price	First exercise date	Last exercise date
Executive Directors							
Mr M B Rosenstreich	300,000	300,000	7/12/2009	14.3 cents	26.0 cents	7/12/2009	31/12/2012
Mr M B Rosenstreich	300,000	300,000	7/12/2009	13.8 cents	28.5 cents	31/12/2010	31/12/2012
Mr M B Rosenstreich	300,000	300,000	7/12/2009	13.4 cents	30.5 cents	31/12/2011	31/12/2012
Mr R V Rajasooriar	100,000	100,000	11/10/2010	17.4 cents	20.5 cents	11/10/2011	11/10/2014
Mr R V Rajasooriar	100,000	100,000	11/10/2010	17.4 cents	20.5 cents	11/10/2012	11/10/2014
Mr R V Rajasooriar	100,000	100,000	11/10/2011	15.1 cents	29.0 cents	11/10/2011	11/10/2014
Mr R V Rajasooriar	100,000	100,000	11/10/2011	15.1 cents	29.0 cents	11/10/2012	11/10/2014
Mr R V Rajasooriar	100,000	100,000	11/10/2011	12.8 cents	41.0 cents	11/10/2011	11/10/2014
Mr R V Rajasooriar	100,000	100,000	11/10/2011	12.8 cents	41.0 cents	11/10/2012	11/10/2014
Non-executive Directors							
Mr D D Boyer	300,000	300,000	7/12/2009	13.5 cents	30.0 cents	7/12/2009	31/12/2012
Mr C I McGown	250,000	250,000	7/12/2009	13.5 cents	30.0 cents	7/12/2009	31/12/2012
Mr P A Treasure	250,000	250,000	7/12/2009	13.5 cents	30.0 cents	7/12/2009	31/12/2012
Company Executives							
Ms S P Hunter	150,000	150,000	7/12/2009	13.5 cents	30.0 cents	7/12/2009	31/12/2012
Ms S P Hunter	80,000	80,000	5/7/2010	6.8 cents	22.0 cents	5/7/2011	5/7/2013
Mr B Burdett	100,000	100,000	2/11/2009	24.4 cents	25.0 cents	2/11/2009	1/9/2013
Mr B Burdett	100,000	100,000	2/11/2009	24.4 cents	25.0 cents	17/9/2011	1/9/2013
Mr B Burdett	100,000	100,000	2/11/2009	23.0 cents	35.0 cents	2/11/2009	1/9/2013
Mr B Burdett	100,000	100,000	2/11/2009	23.0 cents	35.0 cents	17/9/2011	1/9/2013
Mr B Burdett	100,000	100,000	2/11/2009	21.7 cents	50.0 cents	2/11/2009	1/9/2013
Mr B Burdett	100,000	100,000	2/11/2009	21.7 cents	50.0 cents	17/9/2011	1/9/2013
Mr B Burdett	100,000	100,000	5/7/2010	6.8 cents	22.0 cents	5/7/2011	5/7/2013
Mr K P Denwer	130,000	130,000	16/10/2009	16.8 cents	42.5 cents	16/10/2010	16/10/2012
Mr K P Denwer	100,000	100,000	27/10/2009	18.6 cents	25.0 cents	1/9/2009	1/9/2013
Mr K P Denwer	100,000	100,000	27/10/2009	16.3 cents	35.0 cents	1/9/2009	1/9/2013
Mr K P Denwer	–	100,000	5/7/2010	6.8 cents	22.0 cents	5/7/2011	5/7/2013
Mr K P Denwer	100,000	100,000	1/9/2010	4.8 cents	35.0 cents	1/9/2010	1/9/2013
Mr K P Denwer	100,000	100,000	1/9/2010	6.2 cents	25.0 cents	1/9/2009	1/9/2013
Mr A J Brazier	100,000	100,000	1/9/2011	4.1 cents	26.0 cents	27/6/2012	27/8/2015
Mr A J Brazier	100,000	100,000	1/9/2011	3.6 cents	36.5 cents	27/6/2012	27/8/2015
Mr A J Brazier	100,000	100,000	1/9/2011	2.7 cents	52.5 cents	27/6/2012	27/8/2015
Mr A J Brazier	–	100,000	1/9/2011	4.1 cents	26.0 cents	27/6/2013	27/8/2015
Mr A J Brazier	–	100,000	1/9/2011	3.6 cents	36.5 cents	27/6/2013	27/8/2015
Mr A J Brazier	–	100,000	1/9/2011	2.7 cents	52.5 cents	27/6/2013	27/8/2015

None of the above 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
26 September 2011	30 September 2014	20.0 cents	28,666,667
1 November 2011	30 September 2014	20.0 cents	61,471,011
			90,137,678

Since the end of the financial year, the following options had lapsed or were cancelled:

90,600,000 options previously held by RMB Australia Holdings Limited comprising 3,000,000 options exercisable at $0.228 each on or before 22 September 2013, 5,900,000 options exercisable at $0.318 on or before 27 May 2014, 66,700,000 options exercisable at $0.18 on or before 31 October 2014 and 15,000,000 options exercisable at $0.18 on or before 23 February 2015.

8,510,000 employee options at various exercise prices and expiry dates pursuant to the terms of the Bass employee share option scheme as employee option holders have left the company.

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 C I McGown	18,337	3,833,124	–	2,467,449
Mr M B Rosenstreich	–	2,353,973	–	1,366,666
Mr P A Treasure[1]	–	29,846,778	–	3,583,333
Mr B J K Sullivan	250,000	–	–	–

Note 1: 29,746,778 Shares and 3,583,333 options are held by Metals Finance Ltd, major shareholder of the Company. Mr Treasure is a director of Metals Finance Ltd.

Company Performance

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

Significant Changes in the State of Affairs

On 25 January 2012 the Company announced it had completed a financial assessment of its Hellyer mine project. The result indicated a potentially significant deterioration in the financial performance of the project such that its operations where marginal.

A revised operating plan was prepared and, with support from the Company's secured and unsecured creditors, implemented. The workout strategy was successful with revenue forecasts exceeded. In June 2012 the mill and concentrator plant were placed into care and maintenance.

On 6 July 2012 the Company announced a major asset sale to retire debt and recapitalise through a binding sales agreement which was subsequently repudiated and breached by the purchaser. As a consequence, the Company terminated the sale agreement as announced on 13 September 2012. Refer to Events Subsequent to Reporting Date on page 37 of the Directors' Report for further information. In addition, a major restructuring of the Company's cost base has been completed to reduce its overheads.

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:

- Complete alternative asset sales transaction to paydown all outstanding debt and recapitalise the Company.
- Subject to any asset sale, maintain a strategic land position in Tasmania incorporating a full spectrum of targets from advanced prospects to conceptual large scale anomalies; and
- Subject to the results of any asset sale, 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, during the year, has not been advised by the regulatory authority of any breaches in relation to the regulations within the State in which 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 2011 and the number of meetings attended by each Director.

Director	Directors' Meetings		Audit Committee		Remuneration Committee[1]		Hedge Committee	
	A	B	A	B	A	B	A	B
Mr D D Boyer	9	8	3	2	–	–	–	–
Mr C I McGown	20	20	6	6	–	–	4	4
Mr M B Rosenstreich	20	20	–	–	–	–	4	4
Mr P A Treasure	20	20	6	5	–	–	–	–
Mr R V Rajasooriar	9	9	–	–	–	–	–	–
Mr B J K Sullivan	11	11	–	–	–	–	–	–

A: Number of meetings eligible to attend

B: Number of meetings attended

Note 1: The Remuneration Committee was dissolved at a directors' meeting held on 27 June 2012. It was resolved that the directors address the remuneration matters in the regular board meetings.

Note 2: The directors met as the Nomination Committee on an as required basis during the year ended 30 June 2012.

Note 3: The directors formed an Audit Committee on 1 July 2010. The current members of the committee are Mr McGown (Chairman) and Mr Treasure.

Mr Rosenstreich, Managing Director, and Mr Brazier, ex-Chief Financial Officer, attended all meetings of the Audit and Hedge Committees held during the year 30 June 2012.

Proceedings on Behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the 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 premiums paid in respect of directors' and officers' liability insurance as such disclosure is prohibited under the terms of the contract.

Events Subsequent to Reporting Date

LionGold Sale

On 6 July 2012 the Company announced it had signed a binding agreement to sell its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd, to LionGold Corp Ltd ("LionGold"), a Singapore listed gold investment and development company. The consideration for the transaction was $13.5 million.

On 3 September 2012, Bass received a letter from LionGold stating that LionGold considered that the conditions precedent for completion under the Share Sale Agreement were not satisfied and purported to give notice to terminate the Share Sale Agreement. LionGold did not attempt to identify which conditions precedent it considered were not satisfied. Bass considers that all the conditions precedent were satisfied and that LionGold had no basis on which to terminate the Share Sale Agreement. Further, Bass considers that by its letter LionGold repudiated and breached the Share Sale Agreement. On 5 September 2012 the Company informed LionGold that it did not accept LionGold's repudiation, and that it required LionGold to complete the purchase by 7 September 2012. LionGold failed to complete on 7 September 2012 which the Company considers was a further repudiation and breach of the Share Sale Agreement. As announced on 13 September 2012, as the consequence this further repudiation and breach the Company gave notice to LionGold terminating the Share Sale Agreement.

On 13 September 2012, the Company announced it would pursue legal action against LionGold. The Company is seeking a swift and positive result if at all possible but, should legal proceedings become protracted, the Company is prepared to invest the necessary time in those proceedings to achieve a positive outcome. To date there has been no engagement, explanation, or justification by LionGold of its position regarding the conditions precedent and LionGold has not disputed the Company's right to terminate the sale agreement.

Extension of RMB Loan Facility

On 16 July 2012 the Company entered into a $5,000,000 project loan facility provided by RMB Australia Holdings Limited ("**RMBAHL**"). The initial maturity date of the facility was 30 September 2012, subject to a possible extension to 21 December 2012 (the extension to 21 December 2012 required the issue of options and payment of a fee to RMBAHL). The initial maturity date was set to be later than the expected settlement date of the LionGold transaction, and thus allow the proceeds from that transaction to repay RMBAHL. As such, the Company did not expect to require an extension of the initial maturity date. As a consequence of the termination of the LionGold Share Sale Agreement, the Company has requested and RMBAHL has agreed to extend the initial repayment date to 30 November 2012 (without the requirement for the Company to issue options or pay a fee to RMBAHL).

Creditor Standstill

On 27 September 2012 Bass executed a Standstill Agreement with RMBAHL (as the Company's first ranking secured creditor) and Mancala Mining Pty Ltd (as the Company's second ranking secured creditor) to forbear any debt repayment claims until the 30 November 2012. The standstill is subject to RMB and Mancala being reasonably satisfied as at the 31 October that Bass is making sufficient progress to be able to repay the secured creditors by 30 November 2012 and to various other conditions which are standard for the standstill agreement on this sort. On this basis Bass has written to all of its unsecured creditors seeking a similar extension in order to provide additional time to secure an alternative asset sale deal or resolve matters with LionGold.

Intec Royalty

On 9 July 2012 the Company announced it had reached agreement with Intec Ltd over the Hellyer mill processing royalty ("**Processing Royalty**"). Resulting from the acquisition of the Hellyer assets by Bass Metals in early 2009, the Processing Royalty required Hellyer Mill Operations Pty Ltd to pay $2.50 (subsequently amended to $3.50) per tonne of ore processed through the concentrator plant, with a cap of $5,000,000 (subsequently amended to $5,725,000).

The terms of the agreement to restructure the Processing Royalty are as follows:

- The Processing Royalty ended on 30 June 2012 (the Company has paid all outstanding Processing Royalty).
- From 1 July 2012, Intec was granted a 2.5% net smelter return royalty ("NSR Royalty") in relation to base metals extracted by the Company and sold from the following tenements:
  - RL11/1997: Mt Charter retention licence;
  - EL48/2003: Mt Block exploration licence;
  - EL24/2004: Bulgobac River exploration licence;
  - CML103M/1987: Hellyer mine lease; and
  - ML68M/1984: Que River mine lease;
- The NSR Royalty is uncapped
- As part of the restructure, on or about 9 July 2012, the Company issued to Intec 15 million shares at in the Company at no additional consideration.

The NSR Royalty applies to base metal deposits if and when developed and sold by Bass Metals. The royalty does not apply to gold and silver deposits, including the Hellyer tailings dam.

Hellyer Mill Operations Pty Ltd owns the Hellyer tails gold resource, the concentrator plant and the mining licence. It also has an agreement over the Mt Charter gold resource. Bass Metals will retain exploration rights over the CML103M/1987.

Options

Since the end of the financial year, the following options had lapsed or were cancelled:

90,600,000 options previously held by RMB Australia Holdings Limited comprising 3,000,000 options exercisable at $0.228 each on or before 22 September 2013, 5,900,000 options exercisable at $0.318 on or before 27 May 2014, 66,700,000 options exercisable at $0.18 on or before 31 October 2014 and 15,000,000 options exercisable at $0.18 on or before 23 February 2015.

8,510,000 employee options at various exercise prices and expiry dates pursuant to the terms of the Bass employee share option scheme as employee option holders have left the company.

Non-audit Services

The directors are 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 APES 110: 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 2012:

	2012
	$
Amounts received or due and receivable by Grant Thornton for:	
Consulting services	12,692
Taxation services	19,926
	32,618

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 2012. 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 B Rosenstreich
Managing Director

Subiaco, Western Australia
28 September 2012

FINANCIAL STATEMENTS AND NOTES TO THE ACCOUNTS

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated	
Continuing Operations		**2012 $**	**2011 $**
Sales revenue	3	93,403,431	22,530,518
Cost of sales	4	(81,186,367)	(25,748,236)
Operating profit/(loss)		**12,217,064**	**(3,217,718)**
Other income	3	3,971,046	180,342
Other expenses	4	(36,017,641)	(5,245,619)
Share-based payments	4	(4,108,694)	(461,682)
Finance costs	4	(6,083,185)	(1,340,083)
Loss before income tax		**(30,021,410)**	**(10,084,760)**
Income tax benefit	5	3,193,466	887,489
Loss after income tax from continuing operations		**(26,827,944)**	**(9,197,271)**
Loss for the year from discontinued operations	2	(28,388,802)	(4,588,894)
Loss for the year		(55,216,746)	(13,786,165)
Other comprehensive income			
Cash flow hedge taken to equity		–	(1,204,315)
Other comprehensive income for the year, net of income tax		–	(1,204,315)
Total comprehensive loss for the year		**(55,216,746)**	**(14,990,480)**
Loss attributed to:			
Owners of the parent entity		(55,216,746)	(13,786,165)
Total comprehensive loss attributed to:			
Owners of the parent entity		(55,216,746)	(14,990,480)
Earnings per share			
Basic loss per share from continuing operations (cents)	6	(10.05)	(5.00)
Basic loss per share from discontinued operations (cents)		(10.63)	(2.49)
Diluted loss per share from continuing operations (cents)	6	(10.05)	(5.00)
Diluted loss per share from discontinued operations (cents)		(10.63)	(2.49)

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

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	Consolidated	
		2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	7	3,671,949	6,355,450
Trade and other receivables	8	9,168,044	2,862,577
Inventories	9	–	5,333,510
Derivative financial assets	18	696,787	–
Other assets	10	226,162	217,404
		13,762,942	**14,768,941**
Assets and disposal groups held for sale	2	13,500,000	–
Total Current Assets		**27,262,942**	**14,768,941**
NON-CURRENT ASSETS			
Trade and other receivables	8	759,030	2,836,683
Plant and equipment	11	421,077	30,008,117
Mine properties	12	–	32,165,670
Capitalised exploration and evaluation	13	3,050,000	16,910,948
Other financial assets	15	–	720,251
Deferred tax assets	21	–	11,641,495
Total Non-Current Assets		**4,230,107**	**94,283,164**
TOTAL ASSETS		**31,493,049**	**109,052,105**
CURRENT LIABILITIES			
Trade and other payables	16	7,826,754	10,446,341
Borrowings	17	5,119,978	14,821,254
Derivative financial liabilities	18	–	1,204,315
Provisions	19	152,983	167,674
Contingent consideration	20	–	943,038
Total Current Liabilities		**13,099,715**	**27,582,622**
NON-CURRENT LIABILITIES			
Borrowings	17	107,595	2,585,282
Provisions	19	735,538	5,006,787
Contingent consideration	20	–	2,754,566
Deferred tax liabilities	21	–	14,834,961
Total Non-Current Liabilities		**843,133**	**25,181,596**
TOTAL LIABILITIES		**13,942,848**	**52,764,218**
NET ASSETS		**17,550,201**	**56,287,887**
EQUITY			
Issued capital	22	61,524,048	50,357,997
Reserves	23	6,813,992	1,500,983
Retained profits		(50,787,839)	4,428,907
TOTAL EQUITY		**17,550,201**	**56,287,887**

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 2012

Consolidated	Issued Capital	Retained Profits/ (Accumulated Losses)	Option Reserve	Hedge Reserve	Total Equity
	$	$	$	$	$
Balance at 1 July 2010	37,172,160	18,215,072	1,172,478	–	56,559,710
Total comprehensive loss for the year	–	(13,786,165)	–	(1,204,315)	(14,990,480)
Transactions with owners, in their capacity as owners					
Shares issued during the year	13,825,000	–	–	–	13,825,000
Share issue costs	(857,078)	–	–	–	(857,078)
Tax benefit relating to share issue costs	74,315	–	–	–	74,315
Share options issued during the period	143,600	–	1,532,820	–	1,676,420
Total transactions with owners	13,185,837	(13,786,165)	1,532,820	(1,204,315)	(271,823)
Balance at 30 June 2011	**50,357,997**	**4,428,907**	**2,705,298**	**(1,204,315)**	**56,287,887**
Balance at 1 July 2011	50,357,997	4,428,907	2,705,298	(1,204,315)	56,287,887
Total comprehensive loss for the year	–	(55,216,746)	–	1,204,315	(54,012,431)
Transactions with owners, in their capacity as owners					
Shares issued during the year	12,150,650	–	–	–	12,150,650
Share issue costs	(984,599)	–	–	–	(984,599)
Tax benefit relating to share issue costs	–	–	–	–	–
Share options issued during the period	–	–	4,108,694	–	4,108,694
Total transactions with owners	11,166,051	(55,216,746)	4,108,694	–	(38,737,686)
Balance at 30 June 2012	**61,524,048**	**(50,787,839)**	**6,813,992**	**–**	**17,550,201**

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 2012

	Note	Consolidated 2012 $	Consolidated 2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		92,920,558	24,672,077
Cash payments in the course of operations		(81,648,879)	(28,287,327)
Receipts of security deposits		–	18,209
Interest received		224,120	413,930
Interest paid		(1,691,309)	(954,856)
Net cash (used in)/provided by operating activities	**26(a)**	**9,804,490**	**(4,137,967)**
Cash flows from investing activities			
Purchase of plant and equipment		(334,879)	(4,057,760)
Proceeds from sale of plant and equipment		27,840	
Payments for exploration and evaluation		(2,327,863)	(3,346,822)
Payments for development of mineral properties		(6,644,916)	(22,404,053)
Settlement of derivative financial instruments		2,553,646	–
Net cash (used in) investing activities		**(6,726,172)**	**(29,808,635)**
Cash flows from financing activities			
Proceeds from issue of shares		4,648,301	13,968,600
Borrowings (net of transaction costs)		16,223,000	20,118,987
Repayment of borrowings		(26,018,520)	(2,400,000)
Costs of share issues		(614,600)	(857,078)
Net cash (used in)/provided by financing activities		**(5,761,819)**	**30,830,509**
Net increase in cash and cash equivalents		(2,683,501)	(3,116,093)
Cash and cash equivalents at the beginning of the year		6,355,450	9,471,543
Cash and cash equivalents at the end of the year	**7**	**3,671,949**	**6,355,450**

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) General Information and Statement of Compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Bass Metals Ltd is a for-profit entity for the purpose of preparing the financial statements.

Bass Metals Ltd is the Group's ultimate parent company, and is a public company incorporated and domiciled in Australia.

The consolidated financial statements for the year ended 30 June 2012 (including comparatives) were approved and authorised for issue by the board of directors on 28 September 2012.

(b) Changes in Accounting Policies

Adoption of AASBs and improvements to AASBs 2011 – AASB 1054 and AASB 2011-1

The AASB has issued AASB 1054: Australian Additional Disclosures and AASB 2011-1: Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project, and made several minor amendments to a number of AASBs. These standards eliminate a large portion of the differences between the Australian and New Zealand accounting standards and IFRS and retain only additional disclosures considered necessary. These changes also simplify some current disclosures for Australian entities and remove others.

Standards, Amendments and Interpretations to Existing Standards that are not yet effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

New Revised Pronouncement	Superseded Pronouncement	Explanation of Amendments	Effective Date (ie annual reporting period ending on or after)	Impact on Financial Statements
AASB 9 Financial Instruments (December 2010)	AASB 139 Financial Instruments: Recognition and Measurement (in part)	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are: (a) Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows. (b) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. (c) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. (d) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: • The change attributable to changes in credit risk are presented in other comprehensive income (OCI); and • The remaining change is presented in profit or loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss. Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7 and AASB 2010-10.	31 December 2015 Note that the IASB deferred the mandatory effective date from annual periods beginning on or after 1 January 2013 to annual periods beginning on or after 1 January 2015	AASB 9 amends the classification and measurement of financial assets. The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only. Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.

New Revised Pronouncement	Superseded Pronouncement	Explanation of Amendments	Effective Date (ie annual reporting period ending on or after)	Impact on Financial Statements
AASB 10 Consolidated Financial Statements	AASB 127 AASB Int 112	AASB 10 establishes a revised control model that applies to all entities. It replaces the consolidation requirements in AASB 127 and AASB Interpretation 112 The revised control model broadens the situations when an entity is considered to be controlled by another entity and includes additional guidance for applying the model to specific situations, including when acting as an agent may give control, the impact of potential voting rights and when holding less than a majority voting rights may give 'de facto' control. This is likely to lead to more entities being consolidated into the group.	31 December 2013	It introduces a revised definition of control which will apply to all investees to determine the scope of consolidation. Traditional control assessments based on majority ownership of voting rights will rarely be affected. However, 'borderline' consolidation decisions will need to be reviewed and some will need to be changed taking into consideration potential voting rights and substantive rights.
AASB 11 Joint Arrangements	AASB 131 AASB Int 113	AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly – controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly-controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method. This may result in a change in the accounting for the joint arrangements held by the group.	31 December 2013	Entities with existing joint arrangements or that plan to enter into new joint arrangements will be affected by the new standard. These entities will need to assess their arrangements to determine whether they have interests in a joint operation or a joint venture upon adoption of the new standard or upon entering into the arrangement. Entities that have been accounting for their interest in a joint venture using proportionate consolidation will no longer be allowed to use this method; instead they will account for the joint venture using the equity method. In addition, there may be some entities that previously equity-accounted for investments that may need to account for their share of assets and liabilities now that there is less focus on the structure of the arrangement.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

New Revised Pronouncement	Superseded Pronouncement	Explanation of Amendments	Effective Date (ie annual reporting period ending on or after)	Impact on Financial Statements
AASB 12 Disclosure of Interests in Other Entities	AASB 127 AASB 128 AASB 131	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities. New disclosures introduced by AASB 12 include disclosures about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	31 December 2013	AASB 12 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It aims to provide more transparency on 'borderline' consolidation decisions and enhance disclosures about unconsolidated structured entities in which an investor or sponsor has involvement.
AASB 13 Fair Value Measurement	None	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted by other Standards. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	31 December 2013	AASB 13 has been issued to: • establish a single source of guidance for all fair value measurements; • clarify the definition of fair value and related guidance; and • enhance disclosures about fair value measurements (new disclosures increase transparency about fair value measurements, including the valuation techniques and inputs used to measure fair value).
AASB 127 Separate Financial Statements	AASB 127 (Consolidated and Separate Financial Statements)	As a result of the issuance of AASB 10, AASB 127 has been restructured and reissued to only deal with separate financial statements.	31 December 2013	AASB 127 (August 2011) will now solely address separate financial statements, the requirements for which are substantially unchanged from the previous version of the Standard.

New Revised Pronouncement	Superseded Pronouncement	Explanation of Amendments	Effective Date (ie annual reporting period ending on or after)	Impact on Financial Statements
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	AASB Int 121	These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate AASB Interpretation 121 into AASB 112.	31 December 2012	The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140 . Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]	None	The Standard deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies.	30 June 2014	The Standard makes amendments to remove the individual key management personnel disclosure requirements, as these are considered to be more in the nature of corporate governance and are generally covered in the Corporations Act and disclosed within the Directors and/or Remuneration Report.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

New Revised Pronouncement	Superseded Pronouncement	Explanation of Amendments	Effective Date (ie annual reporting period ending on or after)	Impact on Financial Statements
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	None	This Standard makes consequential amendments to various Australian Accounting Standards arising from the issuance of AASB 10, AASB 11, AASB 12, AASB 127 (August 2011) and AASB 128 (August 2011).	31 December 2013	This Standard gives effect to many consequential changes arising from the issuance of the new Standards. For example, references to AASB 127 *Consolidated and Separate Financial Statements* are amended to AASB 10 *Consolidated Financial Statements* or AASB 127 *Separate Financial Statements*, and references to AASB 131 *Interests in Joint Ventures* are deleted as that Standard has been superseded by AASB 11 and AASB 128 (August 2011).
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income [AASB 101]	None	Amendments to group items presented in other comprehensive income on the basis of whether they are potentially reclassifiable to profit or loss in subsequent periods (reclassification adjustments, e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses). Name changes of statements in AASB 101 as follows: • One statement of comprehensive income – to be referred to as 'statement of profit or loss and other comprehensive income' • Two statements – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'.	30 June 2013	The main change will be the separation and classification of components within other comprehensive income between reclassification adjustments to profit or loss and those that will not be reclassified.
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	None	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position. This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	31 December 2013	AASB 2012-2 principally amends AASB 7 to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

New Revised Pronouncement	Superseded Pronouncement	Explanation of Amendments	Effective Date (ie annual reporting period ending on or after)	Impact on Financial Statements
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	None	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	31 December 2014	AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	None	These amendments are a consequence of the annual improvements process, which provides a vehicle for making non-urgent but necessary amendments to Standards. These amendments follow the issuance of Annual Improvements to IFRSs 2009–2011 Cycle issued by the International Accounting Standards Board in May 2012.	31 December 2013	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following: • repeat application of AASB 1 is permitted (AASB 1); and • clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

(c) Summary of Accounting Policies

Overall Considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

Basis of Consolidation

The Group financial statements consolidate those of the parent company and its subsidiary up to 30 June 2012. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. The Group obtains and exercises control through more than half of the voting rights. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

Non-controlling interests, presented as part of equity, represent the portion of a subsidiary's profit or loss and net assets that is not held by the Group. The Group attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

Business Combinations

The Group applies the acquisition method in accounting for business combinations.

The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred; (b) the recognised amount of any non-controlling interest in the acquire; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie: gain on a bargain purchase) is recognised in profit or loss immediately.

Investments in Associates and Joint Ventures

Entities whose economic activities are controlled jointly by the Group and other ventures independent of the Group (joint ventures) are accounted for using the proportionate consolidation method, whereby the Group's share of the assets, liabilities, income and expenses is included line by line in the consolidated financial statements.

Associates are those entities over which the Group is able to exert significant influence but which are neither subsidiaries nor joint ventures. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any goodwill or fair value adjustment attributable to the Group's share in the associate is not recognised separately and is included in the amount recognised as investment in associates.

The carrying amount of the investments in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Foreign Currency Translation

Functional and Presentation Currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign Currency Transactions and Balances

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

Non-monetary items are not retranslated at year-end and are measured at historical cost (translated using the exchange rates at the date of the transaction), except for non-monetary items measured at fair value which are translated using the exchange rates at the date when fair value was determined.

Segment Reporting

In identifying its operating segments, management generally follows the Group's operations and activities:

- The activities undertaken by the Tasmanian Operations – Mining segment include the mining of ore containing zinc, lead, copper, silver and gold;
- The activities undertaken by the Tasmanian Operations – Processing segment include the processing of the ore generated by the Group's mining activities; and
- The activities of the Exploration segment include the search for new and additional mineral resources.

All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under AASB 8 are the same as those used in its financial statements, except that: (a) post-employment benefit expenses; and (b) expenses relating to share-based payments are not included in arriving at the operating profit of the operating segments.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

Revenue

Revenue arises from the sale of metal concentrate. It is measured by reference to the fair value of consideration received or receivable, excluding goods and services tax (GST), rebates, and trade discounts.

The Group applies the revenue recognition criteria set out below:

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 results, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

Concentrate Sales

Contract terms for the Group's sale of metal concentrates allows for a price adjustment based on final assay results by the customer to determine metal content. Recognition of sales revenue for these commodities is based on the most recently determined estimate of metal concentrates (based on initial assay results) and the spot price at the date of shipment, with a subsequent adjustment made upon final determination.

The terms of concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price is based on prevailing spot prices on a specified future date after shipment to the customer ("quotation period"). Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

The provisionally priced sales of metal concentrates contain an embedded derivative, which is required to be separated from the host contract for accounting purposes. The host contract is the sale of metal concentrates and the embedded derivative is the forward contract for which the provisional sale is subsequently adjusted. Accordingly, the embedded derivative, which does not qualify for hedge accounting, is recognised at fair value, with subsequent changes in the fair value recognised in profit or loss each period until final settlement. Changes in fair value over the quotation period and up until final settlement are estimated by reference to forward market prices.

Interest

Interest is reported on an accrual basis using the effective interest method.

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.

Operating Expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in "finance costs".

Profit or Loss from Discontinued Operations

A discontinued operation is a component of the entity that either has been disposed of, or is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, is presented in a single amount in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the measurement and disposal of assets classified as held for sale, is further analysed in Note 2.

The disclosures for discontinued operations in the prior year relate to all operations that have been discontinued by the reporting date for the latest period presented.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Business Combinations for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Impairment Testing of Goodwill, Property, Plant and Equipment and Mine Properties for a description of impairment testing procedures.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

Property, Plant and Equipment

Equipment is initially recognised at acquisition or manufacturing cost, including any costs directly attributable to bringing the assets to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management.

Depreciation is recognised on a straight-line basis to write down the cost less estimated residual value of the asset. The following depreciation rates are applied:

Computer equipment	33.33 to 50%
Exploration & environmental equipment	20 to 33.33%
Motor vehicles	20%
Office equipment	20%

Motor vehicles also include assets held under a finance lease (see Leased Assets). Motor vehicles are subsequently measured using the cost model, cost less subsequent depreciation and impairment losses.

Material residual value estimates and estimates of useful life are updated as required, but at least annually.

Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

Leased Assets

Finance Leases

The economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards of ownership of the leased asset. Where the Group is a lessee in this type of arrangement, the related asset is recognised at the inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any. A corresponding amount is recognised as a finance lease liability.

See Property, Plant and Equipment for the depreciation methods and useful lives for assets held under finance lease. The corresponding finance lease liability is reduced by lease payments net of finance charges. The interest element of lease payments represents a constant proportion of the outstanding capital balance and is charged to profit or loss, as finance costs over the period of the lease.

Operating Leases

All other leases are treated as operating leases. Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

Impairment Testing of Goodwill, Property, Plant and Equipment and Mine Properties

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (known as cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs to sell and value-in-use. To determine the value-in-use, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget, adjusted as necessary to exclude the effects of future reorganisations and asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment charge is reversed if the cash-generating unit's recoverable amount exceeds its carrying amount.

Financial Instruments

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transaction costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and Subsequent Measurement of Financial Assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- loans and receivables;
- financial assets at fair value through profit or loss (FVTPL);
- held-to-maturity (HTM) investments; and
- available-for-sale (AFS) financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

All financial assets except for those at FVTPL are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Financial Assets at FVTPL

Financial assets at FVTPL include financial assets that are either classified as held for trading or that meet certain conditions and are designated at FVTPL upon initial recognition. All derivative financial instruments fall into this category, except for those designated and effective as hedging instruments, for which the hedge accounting requirements apply (see below).

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

HTM Investments

HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturity other than loans and receivables. Investments are classified as HTM if the Group has the intention and ability to hold them until maturity.

HTM investments are measured subsequently at amortised cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognised in profit or loss.

AFS Financial Assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets.

AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss.

When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest calculated using the effective interest method and dividends are recognised in profit or loss within 'finance income' (see Revenue).

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

Classification and Subsequent Measurement of Financial Liabilities

The Group's financial liabilities include borrowings, trade and other payables and derivative financial instruments.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

Derivative Financial Instruments and Hedge Accounting

Derivative financial instruments are accounted for at FVTPL except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet several strict conditions with respect to documentation, probability of occurrence of the hedged transaction and hedge effectiveness.

For the reporting periods under review, the Group has designated certain forward commodity contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate pricing risk arising from the sale of metal concentrates (refer Revenue).

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur or if the hedging instrument becomes ineffective, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal operating capacity. Costs of ordinarily interchangeable items are assigned using the first in, first out cost formula. Net realisable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

Income Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, the Australian Taxation Office and other fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill or an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries and joint ventures is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income, based on the Group's forecast of future operating results which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. Deferred tax liabilities are always provided for in full. Deferred tax assets and liabilities are offset only when the Group has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

Taxation of Financial Arrangements

Legislation is in place which changes the tax treatment of financial arrangements including the tax treatment of hedging transactions.
The Group has assessed the potential impact of these changes on the Group's tax position and these are not considered to be significant. No impact has been recognised and no adjustments have been made to the deferred tax and income tax balances at 30 June 2012 (2011: $Nil).

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Non-current Assets and Liabilities Classified as Held-for-Sale and Discontinued Operations

When the Group intends to sell a non-current asset or a group of assets (a disposal group), and if sale within 12 months is highly probable, the asset or disposal group is classified as "held for sale" and presented separately in the statement of financial position. Liabilities are classified as "held for sale" and presented as such in the statement of financial position if they are directly associated with a disposal group.

Assets classified as "held for sale" are measured at the lower of their carrying amounts immediately prior to their classification as held for sale and their fair value less costs to sell. However, some "held for sale" assets such as financial assets or deferred tax assets, continue to be measured in accordance with the Group's accounting policy for those assets. Once classified as "held for sale", the assets are not subject to depreciation or amortisation.

Any profit or loss arising from the sale or re-measurement of discontinued operations is presented as part of a single line item, profit or loss from discontinued operations (see Profit or Loss from Discontinued Operations).

Equity and Reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

Other components of equity include the following:

- Options reserve – comprises costs associated with share-based payments (see Share-based Employee Remuneration) ; and
- AFS financial assets and cash-flow hedge reserves – comprises gains and losses relating to these types of financial instruments (see Financial Instruments).

Retained earnings includes all current and prior period retained profits.

All transactions with owners of the parent are recorded separately within equity.

Post-employment Benefits and Short-term Employee Benefits

The Group provides post-employment benefits through defined contribution plans.

Defined Contribution Plans

The Group pays fixed contributions into independent entities for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

Short-term Employee Benefits

Short-term employee benefits, including annual leave entitlement, are current liabilities included in employee benefits, measured at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

Share-based Employee Remuneration

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (ie: profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to share option reserve. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

Provisions, Contingent Assets and Liabilities

Provisions for legal disputes, onerous contracts or other claims are recognised when the Group has a present legal or constructive obligation as a result of: (a) a past event; (b) it is probable that an outflow of economic resources will be required from the Group; and (c) amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised.

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 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 components of investing and financing activities, which are disclosed as operating cash flows.

Comparative Figures

Where required by accounting standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Significant Management Judgement in Applying Accounting Policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Concentrate Sales and Trade Receivables

Management undertake certain estimates to determine initial sales invoicing and trade receivables. The terms of concentrate sales contracts with third parties contain provisional pricing arrangements whereby the selling price is based on prevailing spot prices on a specified future date after shipment to the customer ("quotation period"). These estimates are based on preliminary concentrate assay results and the spot price of the metal concentrate at invoice date. Management make the same estimates of metal concentrate at the date of shipment.

Subsequent to the initial invoice and under the terms of the Contract, the Company allows for price adjustments based upon the final assay exchanges between the Company and its customer. Adjustments are made upon final determination of metal concentrate and metal price on a specific future date after the shipment occurs. Adjustments to the sales price occur based on movements in quoted market prices up to the date of final settlement. The period between provisional invoicing and final settlement can be between one and six months.

Impairment

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. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Impairment Testing of Goodwill, Property, Plant and Equipment and Mine Properties).

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, or 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

The Group assesses its mine rehabilitation provision annually. Significant estimates and assumptions are made in determining the provision for mine rehabilitation as there are numerous factors that will affect the ultimate liability. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to inflation rates, and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at 30 June represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognised in the statement of financial position by either increasing or decreasing the rehabilitation liability and rehabilitation asset, if the initial estimate was originally recognised as part of an asset measured in accordance with AASB 116: Property, Plant and Equipment. Any reduction in the rehabilitation liability and therefore any deduction from the rehabilitation asset may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to profit or loss.

If the change in estimate results in an increase in the rehabilitation liability and therefore an addition to the carrying value of the asset, the entity is required to consider whether this is an indication of impairment of the asset as a whole and test for impairment in accordance with AASB 136: Impairment of Assets. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense. For closed sites, changes to estimated costs are recognised immediately in profit or loss. Also, rehabilitation obligations that arose as a result of the production phase of a mine should be expensed as incurred.

Share-based Payment Transactions

The Group 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 the 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 Group'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.

Units-of-production Amortisation and Depreciation

Estimated recoverable reserves are used in determining the amortisation and depreciation of mine specific assets. This results in a charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. Numerous units-of-production (UOP) depreciation methodologies are available to choose from. The Group adopts a Run-of-the-Mine (ROM) tonnes of ore produced methodology for mining costs and tonnes of metal produced methodology for post mining costs. Changes are accounted for prospectively.

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.

Judgment is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

Long Service Leave Provision

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.

Fair Value

Management have applied valuation techniques to determine the fair value of the assets and liabilities recognised as non current assets held for sale. The determination of fair value requires management to develop estimates and assumptions based on market inputs, using observable data, external valuations obtained and potential third party offers made to purchase assets during the period. Where such data is not observable, management uses its best estimate. Estimated fair values of assets recognised may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date. Refer Note 2 for further details.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES Continued

Going Concern

The financial statements for the year ended 30 June 2012 have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year, the consolidated entity incurred a loss after tax of $55,216,746 (2011: $13,786,165). Net cash inflows from operations during the period were $9,804,490 (2011: net cash outflows $4,137,969) and at reporting date current assets exceeded current liabilities by $14,163,227.

The directors of the company consider the basis of going concern appropriate for the following reasons:

1. Available for Sale Assets

   On 6 July 2012 the Company announced it had signed a binding agreement to sell its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd, to LionGold Corp Ltd, for $13.5 million. LionGold failed to settle by the 7 September and Bass has terminated the agreement pending a legal action for loss and damages against LionGold. All of the assets which were the subject of the LionGold agreement remain for sale and the Company is in discussions with several groups to complete an alternative sale transaction. Funds from the future sale will be used to manage working capital requirements, maintain a working capital position and sustain future exploration.

2. RMB Standstill Agreement

   On 16 July 2012 the Company entered into a $5,000,000 project loan facility provided by RMB Australia Holdings Limited ("**RMBAHL**"). The initial maturity date of the facility was 30 September 2012, subject to a possible extension to 21 December 2012 (the extension to 21 December 2012 required the issue of options and payment of a fee to RMBAHL). The initial maturity date was set to be later than the expected settlement date of the LionGold transaction, and thus allow the proceeds from that transaction to repay RMBAHL. As such, the Company did not expect to require an extension of the initial maturity date. As a consequence of the termination of the LionGold Share Sale Agreement, the Company has requested and RMBAHL has agreed to extend the initial repayment date to 30 November 2012 (without the requirement for the Company to issue options or pay a fee to RMBAHL). On 27 September 2012, the agreement was executed in accordance with the terms disclosed above.

   On 27 September 2012 Bass executed a Standstill Agreement with RMBAHL (as the Company's first ranking secured creditor) and Mancala Mining Pty Ltd (as the Company's second ranking secured creditor) to forbear any debt repayment claims until the 30 November 2012. The standstill is subject to RMB and Mancala being reasonably satisfied as at the 31 October that Bass is making sufficient progress to be able to repay the secured creditors by 30 November 2012 and to various other conditions which are standard for the standstill agreement on this sort. On this basis Bass has written to all of its unsecured creditors seeking a similar extension in order to provide additional time to secure an alternative asset sale deal or resolve matters with LionGold. The directors are confident of continued support from unsecured creditors.

The directors will continue to monitor the capital requirements on a go forward basis and this may include additional capital raisings in future periods if necessary. The ability of the company to continue as a going concern is also dependent upon the continued successful exploration of its mining tenements.

The directors recognise that the above factors represent a material uncertainty as the company's ability to continue as a going concern however, the directors are confident that the company will be able to continue its operations into the foreseeable future.

Should the Company be unable to raise sufficient funding as described above, there is a material uncertainty whether the Company will be able to continue as a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from these stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company be unable to continue as a going concern.

2. ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

On 6 July 2012 the Company announced it had signed a binding agreement to sell its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd, to LionGold Corp Ltd, for $13.5 million. LionGold failed to settle by the 7 September and Bass has terminated the agreement. All of the assets which were the subject of the LionGold agreement remain for sale and the Company is in discussions with several groups to complete an alternative sale transaction. Refer to Note 29 for further information.

The loss for the financial year of the disposal company is summarised as follows:

	2012 $	2011 $
Milling Sales	11,567,336	5,007,487
Interest income	76,000	358,612
Operating costs	(11,587,823)	(5,238,842)
Depreciation and amortisation	(6,762,002)	(675,822)
Depreciation on revised production[1]	(17,195,136)	–
Other expense	(4,487,177)	(4,040,329)
Loss for the year	**(28,388,802)**	**(4,588,894)**

[1] Following adoption of the revised mine and mill plan in January 2012, estimated total reserves have materially reduced, and accordingly, the useful lives of ore processing equipment assets. This has resulted in an additional depreciation charge for the year of $17,195,136.

The carrying amounts of assets and liabilities in the disposal company are summarised as follows:

	2012 $	2011 $
Cash and cash equivalents	–	71,639
Inventories	–	1,109,252
Property, plant and equipment	5,362,920	29,598,095
Mine properties	9,000,000	9,943,210
Other receivables	2,012,000	2,432,453
Capitalised exploration and evaluation	–	924,430
Deferred tax assets	–	2,803,426
Trade and other payables	(855,213)	(5,875,612)
Deferred tax liabilities	–	(6,082,714)
Provisions	(2,019,707)	(4,468,144)
Assets classified as held for sale	**13,500,000**	**30,456,035**

There were no cash flows generated by Hellyer Mill Operations Pty Ltd for the reporting periods under review. Cash on hand represents amounts received from Bass Metals Limited to enable payment of the disposal groups creditors.

3. REVENUE

	Note	Consolidated 2012 $	Consolidated 2011 $
(a) Sales revenue			
Ore sales		–	3,320,749
Concentrate sales		93,403,431	19,209,769
Total sales revenue		**93,403,431**	**22,530,518**
(b) Other income			
Interest received		236,947	324,347
Gain on sale of fixed assets		105,904	–
Realised foreign currency gains/(losses)		318,900	(147,811)
Hedge settlements		3,250,241	–
Other revenue		59,054	3,806
Total other income		**3,971,046**	**180,342**

4. LOSS FOR THE YEAR

The loss for the year is stated after taking into account the following:

	Consolidated	
Expenses	**2012 $**	**2011 $**
(a) Cost of sales		
Production costs	36,954,459	3,014,543
Milling costs	11,567,337	4,048,076
Inventory adjustments	(123,677)	1,417,485
Amortisation of mine closure & restoration	345,204	242,882
Amortisation of mining properties	13,604,253	7,647,658
Royalties	1,492,187	111,382
Treatment charges – ore	–	338,080
Other costs	–	5,229,467
Smelter charges	17,346,604	3,698,663
Total cost of sales	**81,186,367**	**25,748,236**
(b) Other expenses		
Employee benefits expense	1,494,838	2,084,380
Contracting & consulting expenses	720,302	748,416
Finance lease expenses	29,832	19,624
Operating lease expenses	183,374	125,040
Administration expenses	2,809,714	1,369,901
Depreciation – plant & equipment	186,347	135,152
Additional mine properties amortisation on revised mine plan	11,196,222	–
Exploration expenditure expensed	8,574,594	245,640
Development expenditure expensed	9,663,656	354,221
Mine closure expenses	1,158,762	–
Net loss on derivative financial instruments	–	163,245
Total other expenses	**36,017,641**	**5,245,619**
(c) Share-based payments		
Share-based payments	4,108,694	461,682
(d) Finance costs		
Interest charges	3,287,337	–
Borrowing costs	1,432,590	–
Finance costs	1,363,258	1,340,083
Total finance costs	**6,083,185**	**1,340,083**
Total expenses	**127,395,887**	**32,795,620**

5. INCOME TAX EXPENSE

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

	Consolidated	
	2012 $	**2011 $**
(a) The components of tax expense comprise:		
Deferred tax	(3,193,466)	(1,302,060)
Under provision in respect of prior years	–	–
	(3,193,466)	**(1,302,060)**
(b) The prima facie tax on loss before income tax at 30% (2011: 30%)	(16,565,023)	(4,526,467)
Non-deductible expenditure	–	252,672
Equity based payments	1,232,607	219,780
	(15,332,416)	(4,054,015)
Deferred Tax Asset not brought to account	12,138,950	2,751,955
Under provision in respect of prior years	–	–
Income tax (benefit) attributable to loss from ordinary activities before tax	**(3,193,466)**	**(1,302,060)**
The applicable weighted average effective tax rates are as follows:	**5.86%**	**8.63%**

Recognised Deferred Tax Balance

Deferred tax asset	–	11,641,495
Deferred tax liability	–	(14,834,961)
Net Deferred Tax Liability	–	**(3,193,466)**

Unrecognised temporary differences

At 30 June 2012, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, associate or joint venture, as the Group has no liability for additional taxation should unremitted earnings be remitted (2011: $Nil).

(c) Unrecognised deferred tax balances	
The following deferred tax assets and liabilities have not been brought to account:	
Unrecognisable deferred tax assets comprise:	
Losses available for offset against future taxable income	11,956,087
Plant and equipment	3,162,779
Transaction costs on equity issue	334,320
Provisions	121,571
	15,574,757
Unrecognisable deferred tax liabilities comprise:	
Exploration expenditure	(901,363)
Assets and disposal groups held for sale	(950,653)
	(1,852,016)

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the company can utilise the benefits from.

The potential deferred tax assets will only be obtained if:

(i) the company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the company continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the company in realising the benefits.

6. EARNINGS PER SHARE

	Consolidated	
	2012 $	2011 $
(a) Basic Earnings Per Share		
(Loss) for the year from continuing operations	(26,827,944)	(9,197,271)
Weighted average number of ordinary shares used in the calculation of basic earnings per share	266,973,967	183,945,251
Basic loss per share from continuing operations (cents)	**(10.05)**	**(5.00)**
(b) Dilutive Instruments		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	266,973,967	183,945,251
Weighted average share options on issue	125,949,248	10,480,822
Weighted average number of ordinary shares (diluted) at 30 June	**392,923,215**	**194,426,073**

There is no dilutive potential for ordinary shares as the exercise of options to ordinary shares would have the effect of decreasing the loss per ordinary share and would therefore be non-dilutive.

7. CASH AND CASH EQUIVALENTS

	Consolidated	
	2012 $	2011 $
Cash at bank and in hand	3,647,980	6,328,134
Short-term bank deposit	23,969	27,316
	3,671,949	**6,355,450**

The effective interest rate on short-term bank deposits at 30 June 2012 was 1.00% (2011: 2.62%). These deposits have an average maturity of 146 days.

8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2012 $	2011 $
Current		
Trade receivables	7,898,524	2,182,722
Other receivables	–	19,925
Operating lease bonds	1,580	2,120
GST receivable	1,267,940	657,810
	9,168,044	**2,862,577**
Non-current		
Tenement security deposits[1]	592,500	2,561,000
Operating lease bonds	66,530	100,183
Hellyer operating infrastructure guarantees[1]	–	14,000
Loans to key management personnel[2]	100,000	161,500
	759,030	**2,836,683**

Note 1: Tenement security deposits and Hellyer operating infrastructure guarantees are held in fixed term deposits.

Note 2: Further information relating to the loan to key management personnel is set out in Note 32. Further information relating to the maturity analysis of trade and other receivables is set out in Note 31(b(ii)).

9. INVENTORIES

	Consolidated	
	2012 $	**2011 $**
Current		
Ore on hand – at cost	–	3,261,123
Concentrate on hand – at cost	–	963,135
Stores – Hellyer Mill – at cost	–	1,109,252
	–	**5,333,510**

10. OTHER ASSETS

	Consolidated	
	2012 $	**2011 $**
Current		
Prepayments	226,162	217,404
	226,162	**217,404**

	Consolidated	
	2012 $	**2011 $**
Plant & Equipment – Ore Processing		
At cost	–	24,094,797
Accumulated depreciation	–	(341,648)
	–	23,753,149
Plant & Equipment – Hellyer Mill Refurbishment		
At cost	–	5,257,368
Accumulated depreciation	–	(74,339)
	–	5,183,029
Plant & Equipment – Other		
At cost	792,462	1,626,789
Accumulated depreciation	(371,385)	(637,168)
	421,077	989,621
Leased Plant & Equipment		
At cost	–	98,773
Accumulated depreciation	–	(16,455)
	–	82,318
Total Plant & Equipment	**421,077**	**30,008,117**

11. PLANT & EQUIPMENT

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	Plant & Equipment Ore Processing	Plant & Equipment Hellyer Mill Refurbishment	Plant & Equipment – Other	Leased Plant & Equipment	Total
	$	$	$	$	$
Balance at 1 July 2010	24,094,221	2,142,907	419,402	–	26,656,530
Additions		3,114,461	844,525	98,773	4,057,759
Disposals	–	–	–	–	–
Depreciation expense	(341,072)	(74,339)	(274,306)	(16,455)	(706,172)
Balance at 30 June 2011	**23,753,149**	**5,183,029**	**989,621**	**82,318**	**30,008,117**

Consolidated	Plant & Equipment Ore Processing	Plant & Equipment Hellyer Mill Refurbishment	Plant & Equipment – Other	Leased Plant & Equipment	Total
	$	$	$	$	$
Balance at 1 July 2011	23,753,149	5,183,029	989,621	82,318	30,008,117
Additions	–	28,898	396,492	–	425,390
Disposals	–	(46,010)	(499,949)	(7,504)	(553,463)
Assets held for sale or included in disposal groups[1]	(5,362,920)	–	–	–	(5,362,920)
Depreciation expense[1]	(18,390,229)	(5,165,917)	(465,087)	(74,814)	(24,096,047)
Balance at 30 June 2012	**–**	**–**	**421,077**	**–**	**421,077**

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

[1] The depreciation charge for the year includes an amount of $17,195,136 as a result of the revised mine and mill plan in January 2012 and is included in disposal groups held for sale. For more information refer to Note 2.

Property, plant and equipment pledged as security for liabilities

Under the terms of the secured bank loans, the Group has granted a fixed and floating charge over all of its assets in favour of RMB Australia Holdings Ltd. The charge remains in effect until Bass Metals Ltd has fully discharged its financial indebtedness; including the maturing of outstanding zinc, lead and silver hedges.

12. MINE PROPERTIES

	Consolidated	
	2012 $	2011 $
Hellyer Tailings Dam		
At cost	9,000,000	9,000,000
Accumulated depreciation	–	–
Assets held for sale in disposal groups[1]	(9,000,000)	–
	–	9,000,000
Hellyer Operating Infrastructure – Mill Closure and Restoration		
At cost	1,143,285	1,143,285
Accumulated depreciation	(1,143,285)	(200,075)
	–	943,210
Que River Capital Infrastructure		
At cost	663,273	663,273
Accumulated depreciation	(663,273)	(663,273)
	–	–
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	13,060,366	13,060,366
Accumulated depreciation	(13,060,366)	(13,060,366)
	–	–
Fossey Capital Infrastructure		
At cost	5,760,940	3,229,317
Accumulated depreciation	(5,760,940)	(803,229)
	–	2,426,088
Fossey Mine Closure and Restoration		
At cost	483,285	483,285
Accumulated depreciation	(483,285)	(138,081)
	–	345,204
Fossey Mine Development		
At cost	34,826,539	24,771,288
Accumulated depreciation	(34,826,539)	(5,320,120)
	–	19,451,168
Total Mine Properties	**–**	**32,165,670**

[1] Hellyer tailings dam forms part of the disposal group for sale. Details have been included at Note 2.

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

Consolidated	Hellyer Tailings Dam	Hellyer Operating Infrastructure – Mill Closure and Restoration	Que River Mine Development	Fossey Capital Infrastructure	Fossey Mine Closure and Restoration	Fossey Mine Development	Total
	$	$	$	$	$	$	$
Balance at 1 July 2010	9,000,000	1,048,011	1,020,728	1,741,321	483,285	4,463,613	17,756,958
Additions	–	–	608,382	1,487,996	–	20,307,675	22,404,053
Amortisation expense		(104,801)	(1,629,110)	(803,229)	(138,081)	(5,320,120)	(7,995,341)
Balance at 30 June 2011	**9,000,000**	**943,210**	**–**	**2,426,088**	**345,204**	**19,451,168**	**32,165,670**

	Hellyer Tailings Dam	Hellyer Operating Infrastructure – Mill Closure and Restoration	Que River Mine Development	Fossey Capital Infrastructure	Fossey Mine Closure and Restoration	Fossey Mine Develop-ment	Total
	$	$	$	$	$	$	$
Balance at 1 July 2011	9,000,000	943,210	–	2,426,088	345,204	19,451,168	32,165,670
Additions	–	–	–	2,531,623	–	10,055,251	12,586,874
Mine properties included in disposal group	(9,000,000)	–	–	–	–	–	(9,000,000)
Amortisation expense	–	(943,210)	–	(4,957,711)	(345,204)	(29,506,419)	(35,752,544)
Balance at 30 June 2012	**–**	**–**	**–**	**–**	**–**	**–**	**–**

13. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2012 $	2011 $
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 year	16,910,948	13,564,128
Expenditure capitalised for the period	2,328,993	3,363,063
Write-off resulting from relinquished tenements	–	(1,831)
Transfer to mine properties for development	(6,426,925)	–
Write-off of project evaluation expenditure	(9,763,016)	(14,412)
Balance at the end of the year	**3,050,000**	**16,910,948**

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.

14. INTERESTS IN TENEMENTS

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

Partner	Licence	Interest
Venture Minerals Ltd[1]	EL31/2003 Heazlewood	70%
Venture Minerals Ltd[1]	EL36/2003 Whyte River	70%
Clancy Limited	EL20/2010 Sock Creek	25%
Clancy Limited	EL28/2009 Lake Margaret	25%

[1] Venture Minerals Ltd has earned their entitlement to a 70% earn-in interest in the above mentioned exploration areas by sole funding 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 within three years of the date of satisfaction of the conditions precedent in the agreements. Pioneer Resources Ltd retains a 2% net smelter royalty.

Stellar Resources Ltd has the right to a 75% earn in interest in the abovementioned exploration area by sole funding or incurring a total expenditure of not less than $500,000 in connection with the exploration for all commodities other than tin, tungsten and iron on the Joint Venture Tenements on or before the third anniversary of the date of the letter agreement.

15. OTHER FINANCIAL ASSETS

		Consolidated	
	Note	2012 $	2011 $
Non-current			
Capitalised finance costs			
Borrowing costs incurred at cost		1,769,974	1,071,140
Accumulated amortisation		(1,769,974)	(350,889)
	18	**–**	**720,251**

During the year the Company secured and drew an additional $12 million from its project finance facility with RMB Australia Holdings Ltd (“**RMBAHL**”). Following a revision of the mine plan in January 2012, an accelerated repayment schedule was agreed with RMBAH. This resulted in the repayment of $15.8 million as at 30 June 2012. The remaining balance of $5 million was renegotiated on 16 July 2012. The loan is on standard commercial terms and is due to be repaid in full on 30 September 2012, subject to a possible extension of the maturity date to 21 December 2012. Following agreement of the accelerated repayment schedule all capitalised transaction costs were written off.

16. TRADE AND OTHER PAYABLES

	Consolidated	
	2012 $	2011 $
Current		
Unsecured liabilities		
Trade payables	5,731,827	8,795,704
GST payable	1,169,972	984,852
Accrued expenses	924,955	665,785
	7,826,754	**10,446,341**

Accrued expenses are recognised when the company has identified a present obligation from the result of past events. These amounts include interest, employee payment obligations and statutory obligations.

(a) Fair value

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Related party payables

For terms and conditions relating to related party payables refer to Note 31.

(c) Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in Note 30.

17. BORROWINGS

	Note	Consolidated	
		2012 $	2011 $
Current			
Lease liability	23	119,978	58,873
Insurance premium funding		–	35,148
Secured bank loans[1]		5,000,000	10,886,534
Silver loan		–	3,840,699
		5,119,978	**14,821,254**

		Consolidated	
		2012 $	2011 $
Non-Current			
Lease liability	23	107,595	212,769
Secured bank loans		–	2,372,513
		107,595	**2,585,282**

Note 1: On 16 July 2011 a $5 million project finance loan was provided by RMB Australia Holdings Ltd. The loan is offered on standard commercial terms and is to be repaid by 30 September 2012, subject to a possible extension of the maturity date to 21 December 2012. Refer to Note 29 for more information. During the year the Company secured and drew an additional $12 million from its project finance facility with RMB Australia Holdings Ltd ("**RMBAHL**"). Following a revision of the mine plan in January 2012, an accelerated repayment schedule was agreed with RMBAH. This resulted in the repayment of $15.8 million as at 30 June 2012. The remaining balance of $5 million was renegotiated on 16 July 2012. The loan is on standard commercial terms and is due to be repaid in full on 30 September 2012, subject to a possible extension of the maturity date to 21 December 2012. Following agreement of the accelerated repayment schedule all capitalised transaction costs were written off.

17. BORROWINGS Continued

The following table provides a reconciliation of net borrowings:

	2012 $
Current	
Secured bank loans	5,000,000
Total net secured bank loans	**5,000,000**

(a) Fair values:

Unless disclosed, the carrying values of the Group's current and non-current borrowings approximated their fair values. The fair values have been calculated by discounting the expected future cash flows at prevailing market interest rates varying from 8.6% to 14.52% (2011: 9.3% to 9.9%) depending on the nature of the borrowing.

(b) Assets pledged as security:

(1) Under the terms of the lease all risks and rewards incidental to legal ownership are transferred to the Group whilst the lessor has security over the assets until the final payments have been made. See Note 24 for further information.

(2) Under the terms of the secured bank loans, the Group has issued a fixed and floating charge over all of its assets in favour of the financier. The charge remains in effect until Bass Metals has fully discharged its indebtedness.

(c) Defaults and breaches

During the year there were no defaults or breaches against any of the Group's interest-bearing loans and borrowings. For further details of the facility refer to Note 29 and information provided above.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2012 $	2011 $
Current Assets		
Forward commodity contracts – at fair value through profit or loss	696,787	–
Current Liabilities		
Forward commodity contracts – cash flow hedges	–	1,204,315

(a) Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business to hedge exposure to price and currency risk associated with metal concentrates sold under US dollar off-take agreements.

(i) Forward Commodity Derivatives

The Group has entered into forward commodity contracts to hedge the price risk of highly probable metal sales. The hedge instruments are timed to mature in line with the estimated delivery of the hedged production. Cash flows from the sale of copper, gold, lead, silver and zinc are timed to occur over the following 12 months:

The Group no longer adopts cash flow hedge accounting. Hedges are now carried on a mark to market basis and any movements are taken to the profit or loss.

Copper Forward Contracts	Tonnes Hedged	Average Price (USD)
Less than 12 months	214	7,686

Gold Forward Contracts	Ounces Hedged	Average Price (USD)
Less than 12 months	875	1,578

Lead Forward Contracts	Tonnes Hedged	Average Price (USD)
Less than 12 months	5,681	1,857

Silver Forward Contracts	Ounces Hedged	Average Price (USD)
Less than 12 months	233,086	27.49

Zinc Forward Contracts	Tonnes Hedged	Average Price (USD)
Less than 12 months	8,132	1,880

These forward contracts have been specifically designated as a hedge in accordance with AASB 139: Financial Instruments: Recognition and Measurement.

The hedges are carried on a mark to market basis, with movement taken to the profit or loss.

(ii) Movement in commodity forward hedge reserve

	2012 $	2011 $
Opening balance	(1,204,315)	–
Charged to other comprehensive income	1,204,315	(1,204,315)
Closing Balance	**–**	**(1,204,315)**

These amounts have not been tax-effected.

Gains or losses on hedge settlements are recognised in the Statement of Comprehensive Income.

19. PROVISIONS

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

Consolidated	Hellyer Operating Infrastructure Closure & Restoration	Que River Mine Closure & Restoration	Fossey Mine Closure & Restoration	Short-term Employee Benefits	Long-term Employee Benefits	Mine Contractor Incentive Payment	Total
	$	$	$	$	$	$	$
Balance at 1 July 2010	4,757,939	1,118,930	483,285	96,807	13,236	391,905	6,862,102
Additions	–	–	22,447	70,867	19,675	–	112,989
Amounts used during the period	–	(1,118,930)	–	–	–	(391,905)	(1,510,835)
(Decrease) in the discounted amount arising because of time and the effect of a change in the discount rate	(289,795)	–	–	–	–	–	(289,795)
Balance at 30 June 2011	**4,468,144**	**–**	**505,732**	**167,674**	**32,911**	**–**	**5,174,461**
Balance at 1 July 2011	4,468,144	–	505,732	167,674	32,911	–	5,174,461
Additions	–	–	188,510	–	8,385	–	196,895
Amounts used during the period	(2,448,438)	–	–	(14,691)	–	–	(2,463,129)
Amounts included in disposal groups held for sale Refer Note 2	(2,019,706)	–	–	–	–	–	(2,019,706)
Balance at 30 June 2012	**–**	**–**	**694,242**	**152,983**	**41,296**	**–**	**888,521**

	2012 $	2011 $
Analysis of total provisions		
Provision for short term employee entitlements	152,983	167,674
Provision for long term employee entitlements	41,296	–
Rehabilitation of mine properties	694,242	5,006,787
	888,521	**5,174,461**

Provision for Infrastructure Closure & Restoration

The provision recognises the costs to be incurred for restoration of the Hellyer Mill site used for the milling of ore. As a result of the Company's announcement to dispose the mill (refer Note 29), the provision has been unwound.

Provision for Mine Closure & Restoration – Fossey

The provision recognises the costs to be incurred in restoration of the Fossey mine site used for the extraction of base metals. Restoration of the mine site has commenced and is expected to be completed in December 2012.

Provisions for Mine Closure & Restoration – Que River and Mine Contractor Incentive Payments

During the year rehabilitation of the Que River mine site was undertaken. The provision for mine contractor incentives was removed following the cessation of mining operations.

20. CONTINGENT CONSIDERATION

	Consolidated	
	2012 $	2011 $
Current		
Contingent consideration	–	**943,038**
Non-current		
Contingent consideration	–	**2,754,566**

Contingent consideration represents the present value of expected royalties payable to Intec Ltd (ASX: INL) on the probable quantity of ore extracted from the Fossey deposit processed through the Hellyer Mill.

On 9 July 2012 the Company announced it had agreed terms with Intec Ltd to restructure the royalty. Under the agreement Intec will be paid a 2.5% net smelter return royalty ("Royalty") on any future base metals extracted from certain of the Company's tenements. The Royalty is uncapped and the Company has no pre-emptive rights. As part of the restructure, Bass Metals issued to Intec 15 million ordinary shares.

21. TAX

Consolidated	Opening Balance	Charged to Income	Charged to Equity	Total
	$	$	$	$
Deferred Tax Assets				
Provisions	1,577,966	(150,353)	–	1,427,613
Transaction costs on equity issue	231,485	–	74,315	305,800
Plant and equipment	25,198	13,785	–	38,983
Other	87,158	(62,404)	–	24,754
Unused tax losses	3,522,560	6,321,785	–	9,844,345
Balance at 30 June 2011	**5,444,367**	**6,122,813**	**74,315**	**11,641,495**
Deferred Tax Liabilities				
Property, plant and equipment	4,122,734	43,492	–	4,166,226
Future income tax benefit attributable to Capitalised exploration expenditure	4,055,601	1,004,047		5,059,648
Mine Properties	1,725,715	3,496,541	–	5,222,256
Inventories	47,117	118,112	–	165,229
Other	63,041	158,561	–	221,602
Balance at 30 June 2011	**10,014,208**	**4,820,753**	**–**	**14,834,961**

21. TAX Continued

Consolidated	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
	$	$	$	$
Deferred Tax Assets				
Provisions	1,427,613	(1,427,613)	–	–
Transaction costs on equity issue	305,800	(305,800)	–	–
Plant and equipment	38,983	(38,983)	–	–
Other	24,754	(24,754)	–	–
Unused tax losses	9,844,345	(9,844,345)	–	–
Balance at 30 June 2012	**11,641,495**	**(11,641,495)**	**–**	**–**
Deferred Tax Liabilities				
Property, plant and equipment	4,166,226	(4,166,226)	–	–
Future income tax benefit attributable to Capitalised exploration expenditure	5,059,647	(5,059,647)	–	–
Mine Properties	5,222,256	(5,222,256)	–	–
Inventories	165,229	(165,229)	–	–
Other	221,603	(221,603)	–	–
Balance at 30 June 2012	**14,834,961**	**(14,834,961)**	**–**	**–**

22. ISSUED CAPITAL

Consolidated	2012 $	2011 $
294,450,145 (2011: 213,430,823) fully paid ordinary shares	61,524,048	50,357,997

Ordinary shares

The Group has 294,450,145 (2011: 213,430,823) 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

- Refer to Note 28 for information relating to the Company employee option plan, including details of options issued, exercised and lapsed during the financial year.
- Refer to Note 32 for information relating to share options issued to key management personnel during the financial year.

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.

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.

There are no externally reported capital requirements, except those disclosed in Note 16.

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

	2012 Number of Shares	2012 $	2011 Number of Shares	2011 $
At the beginning of the year	**213,430,823**	**50,357,997**	**170,505,386**	**37,172,160**
Issued during the year				
• Ordinary shares issued at 25 cents to sophisticated and professional shareholders on 5 November 2010	–	–	14,400,000	3,600,000
• Ordinary shares issued at 25 cents in lieu of payment of brokerage fees and investor relations service retainer issued on 5 November 2010	–	–	900,000	225,000
• Ordinary shares issued at 23.9 cents to pursuant to the employee share plan on 30 November 2010	–	–	418,410	100,000
• Ordinary shares issued at 22 cents pursuant to employee share on 30 November 2010	–	–	30,000	6,600
• Ordinary shares issued at 26 cents pursuant to the employee loan scheme on 28 February 2011	–	–	100,000	26,000
• Ordinary shares issued at 22 cents pursuant to the employee share plan on 4 April 2011	–	–	50,000	11,000
• Ordinary shares issued at 37 cents to sophisticated and professional shareholders on 27 April 2011	–	–	10,000,000	3,700,000
• Ordinary shares issued at 37cents to sophisticated and professional investors on 30 May 2011			17,027,027	6,300,000
• Ordinary shares issued at 15 cents conversion of loans on 30 September 2011[1]	6,666,667	1,000,000	–	
• Ordinary shares issued at 15 cents being shortfall placement on 4 November 2011	3,866,667	580,000		
• Ordinary shares issued at 15 cents pursuant to rights issue on 4 November 2011	24,415,284	3,662,293		
• Ordinary shares issued at 15 cents being forgone payment of convertible notes on 4 November 2011[2]	32,032,334	4,804,850		
• Ordinary shares issued at 15 cents in lieu of brokerage fees, royalties and investor relations service retainer issued on 4 November 2011	13,933,333	2,090,000		
• Ordinary shares issued at 12.5 cents pursuant to the employee loan scheme on 4 November 2011	100,000	12,500		
• Ordinary shares issued at 20 cents on exercise of options on 6 December 2011	5,037	1,007		
Less share issue costs	–	(984,599)		(857,078)
Current and previously unrecognised tax benefit relating to share issue costs	–	–	–	74,315
Balance at the end of the year	**294,450,145**	**61,524,048**	**213,430,823**	**50,357,997**

Non-Cash Financing Activities

1. *Share issue relates to conversion of 1 million loan notes issued to Directors, pursuant to approval by shareholders at a general meeting held on 26 September 2011.*
2. *Share issue relations to conversion of convertible note obligations, pursuant to approval by shareholders at a general meeting held on 3 January 2012.*

23. RESERVES

Option Reserve

The option reserve records items recognised as expenses on valuation of employee share options and as consideration for loans received and 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	
	2012 $	2011 $
Option reserve	6,813,992	2,705,298
	6,813,992	**2,705,298**

Further information in relation to the option reserve is set out in Note 28.

24. CAPITAL AND LEASING COMMITMENTS

	Consolidated	
	2012 $	2011 $
(i) Finance Lease Commitments		
Payable – minimum lease payments		
Not later than 12 months	73,901	73,901
Between 12 months and five years	193,183	267,083
Minimum lease payments	267,084	340,984
Less future finance charges	(39,511)	(69,342)
Present value of future lease payments	**227,573**	**271,642**

The Group leases various plant and equipment with a carrying value of $Nil (2011: $189,752) under finance leases expiring within five years. Under the terms of leases the Group has the option to acquire the leased assets on expiry of the leases.

The Group has entered into the following financing leases:

(a) A non-cancellable finance lease for equipment located at the Fossey mine site. The lease has a five-year term expiring on the 29 February 2016. Under the terms of the lease the Group has the option to acquire the leased assets on expiry of the lease.

(b) A non-cancellable finance lease for vehicles located at the Fossey mine site. The leases have a five-year term expiring on the 29 February 2016. Under the terms of the lease the Group has the option to acquire the leased assets on expiry of the lefase.

	Consolidated	
	2012 $	2011 $
(ii) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements		
Payable – minimum lease payments		
Not later than 12 months	16,635	159,272
Between 12 months and five years	15,110	302,523
	31,745	**461,795**

The Group has entered into the following operating leases:

(a) A property lease for new office accommodation in Perth commencing 1 August 2012. The lease may be terminated by giving three month's written notice. 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.

(b) A non-cancellable lease for office equipment located at the Company's Perth head office. The lease has a five-year term and was entered into on the 24 August 2010. Lease payments are payable in advance.

During 2012 the Group's total operating lease expenditure was $183,374 (2011, $125,040).

25. 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.

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 Plant and associated infrastructure and treats ore generated by the Group's mining operations.

On 30 June 2012, Bass Metals was issued 98 shares in Hellyer Mill Operations Pty Ltd in lieu of intercompany loans. As a result of the intention to sell Hellyer Mill Operations, the investment in the subsidiary was written down in the parent company to a value of $13,500,000. This has been reflected in the above table.

On 6 July 2012 the Company announced it had signed a binding agreement to sell its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd, to LionGold Corp Ltd, for $13.5 million. LionGold failed to settle by the 7 September and Bass has terminated the agreement. All of the assets which were the subject of the LionGold agreement remain for sale and the Company is in discussions with several groups to complete an alternative sale transaction. Refer to Note 29 for more information.

Information regarding the financial position of Hellyer Mill Operations Pty Ltd has been disclosed at Note 2 of this report.

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 disclosed in Note 1.

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.

Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

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; and
- deferred tax assets (except for those relating to the closure provision for the Hellyer Mill).

25. OPERATING SEGMENTS Continued

Operating Segments 2011	Tasmanian Operations – Mining	Tasmanian Operations – Processing	Exploration	Total
	$	$	$	$
Revenue				
Sales to external customers	23,138,574	–	–	23,138,574
Total segment revenue	**23,138,574**	**–**	**–**	**23,138,574**
Depreciation and amortisation	7,890,540	675,823	–	8,566,363
Reportable segment profit/(loss) before income tax	**(4,426,337)**	**(4,183,881)**	**–**	**(8,610,218)**
Reportable segment assets	**27,166,969**	**42,376,993**	**17,546,818**	**87,090,780**
Additions to non-current assets:				
Plant and equipment	–	3,681,725	–	3,681,725
Mine properties	22,404,053	–	–	22,404,053
Capitalised exploration and evaluation	–	–	3,363,063	3,363,063
Reportable segment liabilities	**777,374**	**14,248,462**	**–**	**15,025,836**

	2011
	$
Reconciliation of reportable segment revenues, profit or loss, and assets	
Revenues	
Total revenue for reportable segments	23,138,574
Unallocated amounts:	
Other revenue	301,785
Interest revenue	237,169
Consolidated revenue	**23,677,528**
Profit or loss	
Total profit/(loss) before income tax for reportable segments	(8,610,218)
Unallocated amounts:	
Other profit/(loss)	538,954
Other corporate expenses	(6,146,394)
Net gain/(loss) on derivative financial instruments	(163,245)
Share-based payments	(461,682)
Write off of project evaluation expenditure	(245,640)
Consolidated profit/(loss) before income tax	**(15,088,225)**

	2011
	$
Assets	
Total assets for reportable segments	87,090,780
Unallocated amounts:	
Cash and cash equivalents	6,355,450
Trade and other receivables	2,860,457
Plant and equipment	624,836
Other assets	479,087
Deferred tax assets	11,641,495
Consolidated total assets	**109,052,105**
Liabilities	
Total liabilities for reportable segments	15,025,836
Unallocated amounts:	
Trade and other payables	10,446,341
Borrowings	200,585
Derivative financial liabilities	1,204,315
Other liabilities	17,134,894
Deferred tax liabilities	8,752,247
Consolidated total liabilities	**52,764,218**

Operating Segments 2012	Tasmanian Operations – Mining	Tasmanian Operations – Processing	Exploration	Total
	$	$	$	$
Revenue				
Sales to external customers	93,403,431	–	–	93,403,431
Total segment revenue	**93,403,431**	**–**	**–**	**93,403,431**
Depreciation and amortisation	24,800,475	–	–	24,800,475
Reportable segment profit/(loss) before income tax	**(9,801,576)**	**–**	**(8,574,594)**	**(18,376,170)**
Reportable segment assets	**6,791,545**	**16,374,920**	**3,142,500**	**26,308,965**
Additions to non-current assets:				
Plant and equipment	–	–	–	–
Mine properties	12,586,874	–	–	12,586,874
Capitalised exploration and evaluation	–	–	2,553,057	2,553,057
Reportable segment liabilities	**5,725,155**	**2,874,920**	**–**	**8,600,075**

25. OPERATING SEGMENTS Continued

	2012
	$
Reconciliation of reportable segment revenues, profit or loss, and assets	
Revenues	
Total revenue for reportable segments	93,403,431
Unallocated amounts:	
Other revenue	483,858
Interest revenue	236,947
Hedge Settlements	3,250,241
Consolidated revenue	**97,374,477**
Profit or loss	
Total profit/(loss) before income tax for reportable segments	(18,376,170)
Unallocated amounts:	
Other profit/(loss)	
Other corporate expenses	(4,703,602)
Net gain/(loss) on derivative financial instruments	3,250,241
Share-based payments	(4,108,694)
Finance costs	(6,083,185)
Consolidated profit/(loss) before income tax	**(30,021,410)**
Assets	
Total assets for reportable segments	26,308,965
Unallocated amounts:	
Cash and cash equivalents	3,671,949
Trade and other receivables	168,109
Plant and equipment	421,077
Other assets	226,162
Derivative financial assets	696,787
Consolidated total assets	**31,493,049**
Liabilities	
Total liabilities for reportable segments	8,600,075
Unallocated amounts:	
Trade and other payables	148,491
Borrowings	5,000,000
Other Liabilities	194,282
Consolidated total liabilities	**13,942,848**

(a) Geographical Region

The Group operates within one geographical region in Australia.

(b) Major Customers

The Group supplies two external customers in the mining segment who account for 99% (2011: 99%) of external revenue.

26. CASH FLOW INFORMATION

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

	Consolidated	
	2012 $	2011 $
Operating (loss) after income tax	(55,216,746)	(13,786,165)
Non-cash flows:		
Depreciation & amortisation	50,815,115	8,701,513
Provisions	–	(1,420,293)
Borrowing costs	1,988,272	350,889
Loss/(Gain) on sale of fixed assets	383,736	–
Decrease in the discounted amount for infrastructure closure & restoration	–	(289,795)
Exploration expenditure written off	9,763,016	
Share-based payments expense	4,108,694	461,682
Amortisation of deferred tax assets relating to share issue costs	–	74,315
(Increase) in deferred tax assets relating to items affecting the income statement	(11,641,495)	(2,016,029)
Decrease in deferred tax assets relating to items affecting the income statement	14,834,961	639,654
Net loss on derivative financial instruments	2,446,945	163,245
Unrealised gain on derivatives	–	(148,051)
	17,482,498	**(7,269,035)**
Change in operating assets and liabilities net of the effects of business combination acquisition:		
(Increase)/Decrease in trade and other receivables	(5,126,556)	1,045,238
(Increase)/decrease in inventories	5,333,510	(4,806,462)
Decrease on other assets – closure & restoration	–	–
(Increase) on other financial assets	2,090,153	(137,219)
Decrease in provision for restoration	(2,794,837)	22,447
Increase in trade and other payables	(2,894,339)	7,007,062
(Decrease) in provisions	(4,285,939)	–
Net cash provided by operating activities	**9,804,490**	**(4,137,969)**

(b) Non-cash financing and investment transactions

- Issue of 100,000 shares to Mr A Brazier for $12,500 through the granting of a loan by the Company under the Employee Share Loan Scheme.
- Issue of 81,700,000 options to RMB Australia Holdings Ltd valued at $3,068,200 for project funding.
- Issue of 6,666,667 shares to loan note holders by the company pursuant to approval by shareholders at general meeting held on 26 September 2011.
- Issue of 22,000,000 shares to convertible note holders by the company pursuant to approval by shareholders at general meeting held on 3 January 2012.

27. CONTINGENT LIABILITIES

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

28. SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2012.

(i) Bass Metals Ltd Employee Share Loan Scheme

The Bass Metals Ltd Employee Share Loan Scheme ("Scheme") was approved by shareholders at an annual general meeting held on 30 November 2010. 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 Employee Share Loan Scheme shall for the time being apply.

Shares may not be issued to a director (or associate) except where the relevant shareholder approval is provided pursuant to the Corporations Act 2001 and ASX Listing Rules. 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 Employee Share Loan Scheme.

Participation is optional and subject to the Rules of the Scheme. Offers made under the Scheme are not renounceable. Shares offered under the Scheme are offered with regard to the market value of the Company's shares where the market value of a share subscribed for or acquired under the Scheme 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 offer 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 arm's length value assessed by an independent registered company auditor or otherwise calculated in a manner approved by the Commissioner of Taxation.

(ii) Bass Metals Ltd Employee Performance Incentive Plan

The Bass Metals Ltd Employee Performance Incentive Plan ("Plan") was approved by shareholders at an annual general meeting held on 30 November 2010. The directors of the Company administer the Employee Performance Incentive Plan and in their absolute discretion determine to whom the securities will be offered, the number to be offered and any performance criteria in relation to the options or performance rights issued under the Plan.

Options or performance rights may not be issued to a director (or associate) except where the relevant shareholder approval is provided pursuant to the Corporations Act 2001 and ASX Listing Rules.

No consideration is payable by an eligible person for a grant of an option or a performance right, unless the board decides otherwise. Subject to the rules of the Plan and to ASX Listing Rules, the Company (acting through the board) may offer options or performance rights to any eligible person at such times and on such terms as the board considers appropriate. Options and performance rights issued under the Plan may be exercised or vest at any time during the period commencing on the issue date and ending no later than five years from the date of issue. Options or performance rights which have vested and have been issued under the Plan will automatically lapse in three months from the date of departure or such longer period as the board determines in the event that an eligible person either resigns voluntarily from employment with the Company or is dismissed in certain circumstances.

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

On vesting of performance rights, shares will automatically be issued to the eligible person subject to compliance with the Company's Policy for Trading in Company Securities and the insider trading provisions of the Corporations Act 2001. Unless otherwise provided in the invitation to receive performance rights, no amount shall be payable by the eligible person on the automatic exercise of performance rights.

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

	2012 Number of Options	2011 Number of Options
Outstanding at the beginning of the year (exercise price 42.5 cents, expiring 16 October 2012)	1,145,000	1,275,000
Forfeited	(350,000)	(130,000)
Outstanding at the end of the year	**795,000**	**1,145,000**
Outstanding at the beginning of the year (exercise price 26 cents, expiring 31 December 2012)	300,000	300,000
Outstanding at the end of the year	**300,000**	**300,000**
Outstanding at the beginning of the year (exercise price 28.5 cents, expiring 31 December 2012)	300,000	300,000
Outstanding at the end of the year	**300,000**	**300,000**
Outstanding at the beginning of the year (exercise price 30 cents, expiring 31 December 2012)	950,000	950,000
Outstanding at the end of the year	**950,000**	**950,000**
Outstanding at the beginning of the year (exercise price 30.5 cents, expiring 31 December 2012)	300,000	300,000
Outstanding at the end of the year	**300,000**	**300,000**

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	2012 Number of Options	2011 Number of Options
Outstanding at the beginning of the year (exercise price 22 cents, expiring 5 July 2013)	1,090,000	–
Granted	–	1,260,000
Forfeited	(360,000)	(90,000)
Exercised	–	(80,000)
Outstanding at the end of the year	**730,000**	**1,090,000**
Outstanding at the beginning of the year (exercise price 25 cents, expiring 1 September 2013)	100,000	100,000
Outstanding at the end of the year	**100,000**	**100,000**
Outstanding at the beginning of the year (exercise price 25 cents, expiring 1 September 2013)	200,000	200,000
Outstanding at the end of the year	**200,000**	**200,000**
Outstanding at the beginning of the year (exercise price 25 cents, expiring 1 September 2013)	100,000	100,000
Outstanding at the end of the year	**100,000**	**100,000**
Outstanding at the beginning of the year (exercise price 35 cents, expiring 1 September 2013)	100,000	100,000
Outstanding at the end of the year	**100,000**	**100,000**
Outstanding at the beginning of the year (exercise price 35 cents, expiring 1 September 2013)	200,000	200,000
Outstanding at the end of the year	**200,000**	**200,000**
Outstanding at the beginning of the year (exercise price 35 cents, expiring 1 September 2013)	100,000	100,000
Outstanding at the end of the year	**100,000**	**100,000**
Outstanding at the beginning of the year (exercise price 50 cents, expiring 1 September 2013)	300,000	400,000
Forfeited	(100,000)	(100,000)
Outstanding at the end of the year	**200,000**	**300,000**
Outstanding at the beginning of the year (exercise price 20.5 cents, expiring 11 October 2014)	200,000	200,000
Outstanding at the end of the year	**200,000**	**200,000**
Outstanding at the beginning of the year (exercise price 29 cents, expiring 11 October 2014)	200,000	200,000
Outstanding at the end of the year	**200,000**	**200,000**
Outstanding at the beginning of the year (exercise price 41 cents, expiring 11 October 2014)	200,000	200,000
Outstanding at the end of the year	**200,000**	**200,000**
Outstanding at the beginning of the year (exercise price 43.5 cents, expiring 31 January 2015)	150,000	300,000
Forfeited	(50,000)	(150,000)
Outstanding at the end of the year	**100,000**	**150,000**
Outstanding at the beginning of the year (exercise price 61 cents, expiring 31 January 2015)	150,000	300,000
Forfeited	(50,000)	(150,000)
Outstanding at the end of the year	**100,000**	**150,000**

28. SHARE-BASED PAYMENTS Continued

	2012 Number of Options	2011 Number of Options
Outstanding at the beginning of the year (exercise price 88 cents, expiring 31 January 2015)	150,000	300,000
Forfeited	(50,000)	(150,000)
Outstanding at the end of the year	**100,000**	**150,000**
Outstanding at the beginning of the year (exercise price 26 cents, expiring 27 August 2015)	–	–
Granted	200,000	–
Outstanding at the end of the year	**200,000**	**–**
Outstanding at the beginning of the year (exercise price 36.5 cents, expiring 27 August 2015)	–	–
Granted	200,000	–
Outstanding at the end of the year	**200,000**	**–**
Outstanding at the beginning of the year (exercise price 52.5 cents, expiring 27 August 2015)	–	–
Granted	200,000	–
Outstanding at the end of the year	**200,000**	**–**

(iii) Total Unlisted Options

	2012		2011	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	17,610,000	0.313	5,600,000	0.342
Granted	172,442,715	0.262	13,060,000	0.314
Forfeited	(800,000)	0.621	(970,000)	0.488
Exercised	(5,037)	0.200	(80,000)	0.220
Outstanding at the end of the year	189,247,678	0.349	17,610,000	0.313
Exercisable at the end of the year	**185,622,678**	**0.351**	**14,570,000**	**0.309**

Options outstanding at 30 June 2012 had a weighted average exercise price of $0.349 (2011: $0.313) and a weighted average remaining contractual life of 1.5 years (2011: 2.2 years). Exercise prices range from $0.200 to $0.880 in respect of options outstanding at year end. The Company share price at year end was $0.013.

The weighted average fair value price for options granted during the year was $0.262 (2011: $0.314). This price was calculated by using a Black-Scholes option pricing model applying the following inputs at grant date:

On 31 October 2011, 66,700,000 unlisted options exercisable at $0.18 each on or before 31 October 2014 were issued to the Group's financier as ratified by a resolution passed at a general meeting of shareholders held on 31 October 2011.

Number of options	66,700,000
Fair value at grant date[1]	$0.046
Share price	$0.15
Exercise price	$0.18
Volatility factor	72.0%
Expiry date of the options	31 October 2014
Risk free interest rate[2]	3.92%

[1] The basis of measuring fair value of the options was the Black-Scholes option pricing model.

[2] Based on the 2 year Commonwealth Government bond rate

On 1 September 2011, 200,000 unlisted options exercisable at $0.26 each on or before 27 August 2015 were issued to employees of the Group pursuant to the Group's employee performance incentive plan approved by shareholders on 30 November 2010.

Number of options	200,000
Fair value at grant date[1]	$0.0441
Share price	$0.15
Exercise price	$0.26
Volatility factor	72.0%
Expiry date of the options	27 August 2015
Risk free interest rate[2]	3.97%

[1] The basis of measuring fair value of the options was the Black-Scholes option pricing model.

[2] Based on the 2 year Commonwealth Government bond rate.

On 1 September 2011, 200,000 unlisted options exercisable at $0.365 each on or before 27 August 2015 were issued to employees of the Group pursuant to the Group's employee performance incentive plan approved by shareholders on 30 November 2010.

Number of options	200,000
Fair value at grant date[1]	$0.0356
Share price	$0.15
Exercise price	$0.365
Volatility factor	72.0%
Expiry date of the options	27 August 2015
Risk free interest rate[2]	3.97%

[1] The basis of measuring fair value of the options was the Black-Scholes option pricing model.

[2] Based on the 3 year Commonwealth Government bond rate.

28. SHARE-BASED PAYMENTS Continued

On 1 September 2011, 200,000 unlisted options exercisable at $0.525 each on or before 27 August 2015 were issued to employees of the Group pursuant to the Group's employee performance incentive plan approved by shareholders on 30 November 2010.

Number of options	200,000
Fair value at grant date[1]	$0.0273
Share price	$0.15
Exercise price	$0.525
Volatility factor	72.0%
Expiry date of the options	27 August 2015
Risk free interest rate[2]	3.97%

[1] The basis of measuring fair value of the options was the Black-Scholes option pricing model.

[2] Based on the 3 year Commonwealth Government bond rate.

On 26 September 2011, 28,666,667 unlisted options exercisable at $0.20 each on or before 30 September 2014 were issued to various parties pursuant to various resolutions passed at the general meeting of shareholders held on 26 September 2011.

Number of options	28,666,667
Fair value at grant date[1]	$0.0427
Share price	$0.15
Exercise price	$0.20
Volatility factor	70.0%
Expiry date of the options	30 September 2014
Risk free interest rate[2]	3.97%

[1] The basis of measuring fair value of the options was the Black-Scholes option pricing model.

[2] Based on the 3 year Commonwealth Government bond rate.

On 23 February 2012, 15,000,000 unlisted options exercisable at $0.18 each on or before 23 February 2015 were issued to Group's financier pursuant to various resolutions passed at the general meeting of shareholders held on 31 October 2011.

Number of options	15,000,000
Fair value at grant date[1]	$0.00
Share price	$0.01
Exercise price	$0.18
Volatility factor	195.0%
Expiry date of the options	23 February 2015
Risk free interest rate[2]	4.75%

[1] The basis of measuring fair value of the options was the Black-Scholes option pricing model.

[2] Based on the 3 year Commonwealth Government bond rate.

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 $4,108,694 (2011: $461,282) and relates, in full, to equity-settled share-based payment transactions.

Since the end of the financial year, the following options had lapsed or were cancelled:

90,600,000 options previously held by RMB Australia Holdings Limited comprising 3,000,000 options exercisable at $0.228 each on or before 22 September 2013, 5,900,000 options exercisable at $0.318 on or before 27 May 2014, 66,700,000 options exercisable at $0.18 on or before 31 October 2014 and 15,000,000 options exercisable at $0.18 on or before 23 February 2015.

8,510,000 employee options at various exercise prices and expiry dates pursuant to the terms of the Bass employee share option scheme as employee option holders have left the company.

29. EVENTS SUBSEQUENT TO REPORTING DATE

LionGold sale

On 6 July 2012 the Company announced it had signed a binding agreement to sell its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd, to LionGold Corp Ltd ("LionGold"), a Singapore listed gold investment and development company. The consideration for the transaction was $13.5 million.

On 3 September 2012, Bass received a letter from LionGold stating that LionGold considered that the conditions precedent for completion under the Share Sale Agreement were not satisfied and purported to give notice to terminate the Share Sale Agreement. LionGold did not attempt to identify which conditions precedent it considered were not satisfied. Bass considers that all the conditions precedent were satisfied and that LionGold had no basis on which to terminate the Share Sale Agreement. Further, Bass considers that by its letter LionGold repudiated and breached the Share Sale Agreement. On 5 September 2012 the Company informed LionGold that it did not accept LionGold's repudiation, and that it required LionGold to complete the purchase by 7 September 2012. LionGold failed to complete on 7 September 2012 which the Company considers was a further repudiation and breach of the Share Sale Agreement. As announced on 13 September 2012, as the consequence this further repudiation and breach the Company gave notice to LionGold terminating the Share Sale Agreement.

On 13 September 2012, the Company announced it would pursue legal action against LionGold. The Company is seeking a swift and positive result if at all possible but, should legal proceedings become protracted, the Company is prepared to invest the necessary time in those proceedings to achieve a positive outcome. To date there has been no engagement, explanation, or justification by LionGold of its position regarding the conditions precedent and LionGold has not disputed the Company's right to terminate the Share Sale Agreement.

Extension of RMB loan facility

On 16 July 2012 the Company entered into a $5,000,000 project loan facility provided by RMB Australia Holdings Limited ("**RMBAHL**"). The initial maturity date of the facility was 30 September 2012, subject to a possible extension to 21 December 2012 (the extension to 21 December 2012 required the issue of options and payment of a fee to RMBAHL). The initial maturity date was set to be later than the expected settlement date of the LionGold transaction, and thus allow the proceeds from that transaction to repay RMBAHL. As such, the Company did not expect to require an extension of the initial maturity date. As a consequence of the termination of the LionGold Share Sale Agreement, the Company has requested and RMBAHL has agreed to extend the initial repayment date to 30 November 2012 (without the requirement for the Company to issue options or pay a fee to RMBAHL).

Creditor standstill

On 27 September 2012 Bass executed a Standstill Agreement with RMBAHL (as the Company's first ranking secured creditor) and Mancala Mining Pty Ltd (as the Company's second ranking secured creditor) to forbear any debt repayment claims until the 30 November 2012. The standstill is subject to RMB and Mancala being reasonably satisfied as at the 31 October that Bass is making sufficient progress to be able to repay the secured creditors by the 30 November 2012 and to various other conditions which are standard for the standstill agreement on this sort. On this basis Bass has written to all of its unsecured creditors seeking a similar extension in order to provide additional time to secure an alternative asset sale deal or resolve matters with LionGold.

Intec royalty

On 9 July 2012 the Company announced it had reached agreement with Intec Ltd over the Hellyer mill processing royalty ("**Processing Royalty**"). Resulting from the acquisition of the Hellyer assets by Bass Metals in early 2009, the Processing Royalty required Hellyer Mill Operations Pty Ltd to pay $2.50 (subsequently amended to $3.50) per tonne of ore processed through the concentrator plant, with a cap of $5,000,000 (subsequently amended to $5,725,000).

The terms of the agreement to restructure the Processing Royalty are as follows:

- The Processing Royalty ended on 30 June 2012 (the Company has paid all outstanding Processing Royalty).
- From 1 July 2012 Intec was granted a 2.5% net smelter return royalty ("NSR Royalty") in relation to base metals extracted by the Company and sold from the following tenements:
- RL11/1997: Mt Charter retention licence;
- EL48/2003: Mt Block exploration licence;
- EL24/2004: Bulgobac River exploration licence;
- CML103M/1987: Hellyer mine lease; and
- ML68M/1984: Que River mine lease;
- The NSR Royalty is uncapped.
- As part of the restructure, on or about 9 July 2012, the Company issued to Intec 15 million shares in the Company at no additional consideration.

The NSR Royalty applies to base metal deposits if and when developed and sold by Bass Metals. The royalty does not apply to gold and silver deposits, including the Hellyer tailings dam.

Hellyer Mill Operations Pty Ltd owns the Hellyer tails gold resource, the concentrator plant and the mining licence. It also has an agreement over the Mt Charter gold resource. Bass Metals will retain exploration rights over the CML103M/1987.

29. EVENTS SUBSEQUENT TO REPORTING DATE Continued

Options

Since the end of the financial year, the following options had lapsed or were cancelled:

90,600,000 options previously held by RMB Australia Holdings Limited comprising 3,000,000 options exercisable at $0.228 each on or before 22 September 2013, 5,900,000 options exercisable at $0.318 on or before 27 May 2014, 66,700,000 options exercisable at $0.18 on or before 31 October 2014 and 15,000,000 options exercisable at $0.18 on or before 23 February 2015.

8,510,000 employee options at various exercise prices and expiry dates pursuant to the terms of the Bass employee share option scheme as employee option holders have left the company.

30. RELATED PARTY TRANSACTIONS

Transactions between related parties are as follows:

(a) Key Management Personnel

(i) Boyer Exploration and Resource Management Pty Ltd, an entity related to Mr D D Boyer, was paid $40,250 (2011: $23,448) for exploration and management consulting, and was reimbursed at cost for expenditure made on behalf of the Group. The outstanding balance of $11,068 has been included in trade and other payables.

(ii) Resource Investment Capital Advisors Pty Ltd, an entity related to Mr C I McGown, was paid $177,950 (2011: $64) for financial consulting fees and was reimbursed at cost for expenditure made on behalf of the Group. The outstanding balance of $38,366 has been included in trade and other payables.

(iii) Metals Finance Corporation, an entity related to Mr P A Treasure, was paid $60,000 (2011: $6,440) and was reimbursed at cost for expenditure made on behalf of the Group. The outstanding balance of $25,833 was included in trade and other payables.

Additional disclosures relating to the remuneration and shareholdings of key management personnel are set out in the Remuneration Report and Note 32 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 loan amount at 30 June 2012 was $30,111,667 (2011: $18,671,026).

The Company has resolved to convert the loan to equity pursuant to the Sale Agreement.

31. 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, zinc and silver 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 Hedge 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 31(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 31(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 2012.

Credit risk is managed on a Group basis and reviewed regularly by the Group. It arises from exposures to customers as well as 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 2012 are detailed below:

	Consolidated	
	2012 $	**2011 $**
Trade and other receivables		
Trade receivables – counterparties not rated[1]	7,898,524	2,182,722
Other receivables – counterparties not rated[2]	2,028,551	3,516,538
	9,927,075	**5,699,260**

Note 1: Bass Metals Ltd has trade receivables with Nyrstar Sales & Marketing AG ($4,086,577) and LN Metals International Ltd ($4,271,946).

Note 2: Other receivables exclude prepayments, as detailed in Note 8.

Financial assets – Derivative financial instruments		
AA – rated counterparties	–	–
	–	**–**
Financial liabilities – Derivative financial instruments		
AA – rated counterparties	–	(1,204,315)
	–	**(1,204,315)**

The above are based on long term Fitch ratings as at 30 June 2012.

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 Hellyer operations. The Group manages this risk by entering into copper, gold, lead, silver and zinc forward sales contracts. The amount and nature of the hedging has been determined and administered by the Company's Hedge Committee, in line with the Company's financial risk management policy statement.

31. FINANCIAL RISK MANAGEMENT Continued

(b) Financial Instruments

(i) Derivative Financial Instruments

Derivative financial instruments are used by the Group to hedge exposure to commodity price and exchange rate risks associated with the sale of metal concentrates under the off-take agreements with Nyrstar Sales & Marketing AG and LN Metals International Ltd. The counterparty to the Group's derivative financial instruments is RMB Australia Holdings Ltd.

Consolidated	2012 USD	Average Commodity Price USD	2011 AUD	Average Commodity Price AUD
Copper forward sales contracts				
Settlements				
Less than 6 months	77,762	7,686/t	–	–
Gold forward sales contracts				
Settlements				
Less than 6 months	424,847	1,587/oz	–	–
Lead forward sales contracts				
Settlements				
Less than 6 months	486,680	1,857/t	(984,725)	2,410/t
Silver forward sales contracts				
Settlements				
Less than 6 months	271,530	27.49/oz	1,679,255	26.20/oz
Zinc forward sales contracts				
Settlement				
Less than 6 months	(54,415)	1,880/t	(1,898,845)	2,460/t
Total options	**1,206,404**		**(1,204,315)**	

During the previous financial year the Group used short-dated Australian dollar denominated lead, silver and zinc forward sales for hedging.

(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 2011	**Weighted Average Effective Interest Rate**	**Floating Interest Rate**	**Within 1 Year**	**1 to 5 Years**	**Non-interest bearing**	**Total**
		$	$	$	$	$
Financial Assets:						
Cash & cash equivalents	2.62%	6,355,450	–	–	–	6,355,450
Trade and other receivables	3.74%	–	–	2,677,303	3,021,957	5,699,260
Total Financial Assets		**6,355,450**	**–**	**2,677,303**	**3,021,957**	**12,054,710**
Financial Liabilities:						
Trade and other payables		–	–	–	10,446,341	10,446,341
Short-term borrowings	7.30%	–	14,821,254	–	–	14,821,254
Long-term borrowings	9.91%	–	–	2,585,282	–	2,585,282
Derivative financial instruments		–	–	–	1,204,315	1,204,315
Total Financial Liabilities		**–**	**14,821,254**	**2,585,282**	**11,650,656**	**29,057,192**

			Fixed Interest Rate Maturing			
30 June 2012	**Weighted Average Effective Interest Rate**	**Floating Interest Rate**	**Within 1 Year**	**1 to 5 Years**	**Non-interest bearing**	**Total**
		$	$	$	$	$
Financial Assets:						
Cash & cash equivalents	1.00%	3,671,949	–	–	–	3,671,949
Trade and other receivables	4.7%	–	–	760,610	9,166,465	9,927,075
Total Financial Assets		**3,671,949**	**–**	**760,610**	**9,166,465**	**13,599,024**
Financial Liabilities:						
Trade and other payables		–	–	–	7,826,754	7,826,754
Short-term borrowings	9.94%	–	5,055,241	–	–	5,055,241
Long-term borrowings	15.66%	–	–	172,332	–	172,332
Total Financial Liabilities		**–**	**5,055,241**	**172,332**	**7,826,754**	**13,054,327**

The above weighted average effective interest rates are as at 30 June 2012.

31. FINANCIAL RISK MANAGEMENT Continued

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

	Consolidated	
	2012 $	2011 $
Less than 6 months	9,166,465	2,840,532
6 months to 1 year	760,610	22,045
1 to 5 years	–	2,836,683
	9,927,075	**5,699,260**

There are no balances within trade and other receivables that contain assets that have been impaired and are past due. The Company's sales to Nyrstar Sales and Marketing AG and LN Metals International Ltd make up the majority of trade and other receivables and are 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	
	2012 $	2011 $
Less than 6 months	7,826,754	10,446,341
	7,826,754	**10,446,341**

(iii) Fair Values

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

Consolidated	2012	2011
	Carrying Amount $	Carrying Amount $
Financial Assets		
Cash and cash equivalents	3,671,949	6,355,450
Loans and receivables	7,782,169	5,699,260
Derivative financial instruments	696,787	–
	12,150,905	**12,054,710**

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

Consolidated	2012	2011
	Carrying Amount $	Carrying Amount $
Financial Liabilities		
At amortised cost:		
Trade and other payables	7,826,754	10,446,341
Borrowings	5,227,573	17,406,536
Derivative financial instruments	–	1,204,315
	13,054,327	**29,057,192**

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).

	Level 1	Level 2	Level 3	Total
Consolidated	**$**	**$**	**$**	**$**
2011				
Financial Liabilities:				
Financial liabilities at fair value through profit or loss:				
Derivative instruments	1,204,315	–	–	1,204,315
	1,204,315	**–**	**–**	**1,204,315**
Consolidated	**$**	**$**	**$**	$
2012				
Financial Assets:				
Financial assets at fair value through profit or loss:				
Derivative instruments	696,787	–	–	696,787
	696,787	**–**	**–**	**696,787**

(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 2012, the effect on profit and equity as a result of changes in the interest rate in relation to financial assets with all other variables remaining constant would be as follows:

	Consolidated	
	2012 $	**2011 $**
Change in profit		
Increase in interest rate by 1% (100 bps)	23,411	68,215
Decrease in interest rate by 1% (100 bps)	(23,411)	(68,215)
Change in equity		
Increase in interest rate by 1% (100 bps)	23,411	68,215
Decrease in interest rate by 1% (100 bps)	(23,411)	(68,215)

31. FINANCIAL RISK MANAGEMENT Continued

At 30 June 2012, the effect on profit and equity as a result of changes in the interest rate in relation to financial liabilities with all other variables remaining constant would be as follows:

	Consolidated	
	2012 $	2011 $
Change in profit		
Increase in interest rate by 1% (100 bps)	(144,661)	(129,600)
Decrease in interest rate by 1% (100 bps)	144,661	129,600
Change in equity		
Increase in interest rate by 1% (100 bps)	(144,661)	(129,600)
Decrease in interest rate by 1% (100 bps)	(144,661)	129,600

Foreign Currency Risk Sensitivity Analysis

At 30 June 2012, 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	
	2012 $	2011 $
Change in profit		
Increase in AUD/USD by 5%	(3,669,082)	(1,217,820)
Decrease in AUD/USD by 5%	3,852,536	1,217,820
Change in equity		
Increase of AUD/USD by 5%	(3,669,082)	(1,217,820)
Decrease in AUD/USD by 5%	3,852,536	1,217,820

Price Risk Sensitivity Analysis

At 30 June 2012, 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	
	2012 $	2011 $
Change in profit		
Increase in zinc price by USD 200/tonne	4,371,968	1,230,276
Increase in lead price by USD 200/tonne	2,456,676	684,185
Increase in copper price by USD 200/tonne	92,590	20,094
Decrease in zinc price by USD 200/tonne	(4,371,968)	(1,230,276)
Decrease in lead price by USD 200/tonne	(2,456,676)	(684,185)
Decrease in copper price by USD 200/tonne	(92,590)	(20,094)
Change in equity		
Increase in zinc price by USD 200/tonne	4,371,968	1,230,276
Increase in lead price by USD 200/tonne	2,456,676	684,185
Increase in lead price by USD 200/tonne	92,590	20,094
Decrease in zinc price by USD 200/tonne	(4,371,968)	(1,230,276)
Decrease in lead price by USD 200/tonne	(2,456,676)	(684,185)
Decrease in lead price by USD 200/tonne	(92,590)	(20,094)

32. KEY MANAGEMENT PERSONNEL

This note should be read in conjunction with the remuneration report included in the Directors' Report.

(i) Details of Key Management Personnel

Chairman – Non-executive

Mr D D Boyer – Appointed 2 August 2004. Resigned 31 December 2011.
Mr C I McGown – Appointed 7 July 2004.

Executive Directors

Mr M B Rosenstreich – Appointed 15 December 2004.
Mr R V Rajasooriar – Appointed 18 November 2011. Resigned 30 April 2012.

Non-executive Directors

Mr P A Treasure – Appointed 2 December 2008.
Mr B J K Sullivan – Appointed 9 January 2012.

Other Key Management Personnel

Ms S P Hunter – Company Secretary – Appointed 28 September 2006.
Mr K P Denwer – Exploration Manager – Appointed 1 September 2008. Resigned 25 May 2012.
Mr B Burdett – General Manager Operations – Tasmania – Appointed 3 November 2009. Resigned 21 September 2011.
Mr R V Rajasooriar – Chief Operating Officer – Appointed 11 October 2010. Resigned 30 June 2012.
Mr A J Brazier – Chief Financial Officer – Appointed 27 June 2011. Resigned 2 August 2012.

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 2012.

There were no consultants engaged in relation to the remuneration of key management personnel during the financial year.

The company did not received a "no vote" of 25% or more on its remuneration report at its 2011 AGM.

32. KEY MANAGEMENT PERSONNEL Continued

The totals of remuneration paid to key management personnel of the Group during the year are as follows:

	Consolidated	
	2012 $	**2011 $**
Short-term employee benefits (salary and leave)	1,905,185	1,525,625
Short-term employee benefits (performance bonus)	–	110,000
Post-employment benefits	133,719	69,272
Share-based payments	355,675	456,895
	2,394,579	**2,161,792**

(ii) Shareholdings of Key Management Personnel

Shares held directly and indirectly in the Company:

2011	**Balance at the Start of the Year**	**On Exercise of Options**	**On market Transactions**	**Employee Share Purchase Plan**	**Balance at the End of the Year**
Mr D D Boyer	1,622,336	–	–	–	1,622,336
Mr C I McGown	1,652,346	–	–	–	1,652,346
Mr M B Rosenstreich	1,468,897	–	–	418,410	1,887,307
Mr R V Rajasooriar	–	–	–	100,000	100,000
Mr P A Treasure	26,413,445	–	–	–	26,413,445
Ms S P Hunter	17,500	–	–	–	17,500
Mr K P Denwer	50,000	–	–	–	50,000
Mr B Burdett	100,000	–	–	–	100,000
Mr B L Hamilton	100,000	–	–	–	100,000
	31,424,524	**–**	**–**	**518,410**	**31,942,934**

2012	**Balance at the Start of the Year**	**On Exercise of Options**	**On market Transactions**	**Employee Share Purchase Plan**	**Balance at the End of the Year**
Mr D D Boyer	1,622,336	–	2,172,851	–	3,795,187
Mr C I McGown	1,652,346	–	2,199,115	–	3,851,461
Mr M B Rosenstreich	1,887,307	–	466,666	–	2,353,973
Mr R V Rajasooriar	100,000	–	–	–	100,000
Mr P A Treasure	26,413,445	–	3,433,333	–	29,846,778
Ms S P Hunter	17,500	–	–	–	17,500
Mr K P Denwer	50,000	–	–	–	50,000
Mr B Burdett	100,000	–	40,741	–	140,741
Mr A J Brazier	–		–	100,000	100,000
	31,842,934	**–**	**8,312,706**	**100,000**	**40,225,640**

All equity transactions with key management personnel, which relate to the Company's listed 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:

2011	Balance at the Start of the Year	Additional Loans	Repayment/ Cancellation of Loans	Balance at the End of the Year
	$	$	$	$
Dr T Murphy	13,500	–	(13,500)	–
Mr B Hamilton	23,000	–	(23,000)	–
Mr K Denwer	6,500	–	–	6,500
Mr B Burdett	29,000	–	–	29,000
Mr M Rosenstreich	–	100,000	–	100,000
Mr V Rajasooriar	–	26,000	–	26,000
	72,000	**126,000**	**(36,500)**	**161,500**

2012	Balance at the Start of the Year	Additional Loans	Repayment/ Cancellation of Loans	Balance at the End of the Year
	$	$	$	$
Mr K Denwer	6,500	–	(6,500)	–
Mr B Burdett	29,000	–	(29,000)	–
Mr M Rosenstreich	100,000	–	–	100,000
Mr V Rajasooriar	26,000	–	(26,000)	–
Mr A Brazier	–	12,500	(12,500)	–
	161,500	**112,500**	**(74,000)**	**100,000**

Under the terms of the Employee Share Loan Scheme no interest is payable in respect of the above loans. Based on fringe benefits tax benchmark interest rate of 7.4% (2011: 6.65%) the following amounts would have been charged on an arm's length basis for the period outstanding during the year.

	2012 $	2011 $
Mr M B Rosenstreich	7,500	3,862
Mr R V Rajasooriar	1,950	606
Mr K P Denwer	481	432
Mr B Burdett	2,175	1,928
Mr A J Brazier	937	–
	13,043	**6,828**

All loans granted under this scheme 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 employment with the Company, whichever occurs first.

32. KEY MANAGEMENT PERSONNEL Continued

(iv) Options held by Key Management Personnel

Details of options over 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.

2011	Balance at Start of the Year	Issued during the Year	Exercised during the Year	Lapsed during the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
Directors						
Mr D D Boyer	600,000	–	–	–	600,000	600,000
Mr C I McGown	475,000	–	–	–	475,000	475,000
Mr M B Rosenstreich	1,750,000	–	–	–	1,750,000	1,450,000
Mr R V Rajasooriar	–	600,000	–	–	600,000	–
Mr P A Treasure	250,000	–	–	–	250,000	250,000
	3,075,000	**600,000**	**–**	**–**	**3,675,000**	**2,775,000**
Company Executives						
Ms S P Hunter	375,000	80,000	–	–	455,000	375,000
Mr K P Denwer	330,000	300,000	–	–	630,000	530,000
Mr B Burdett	–	700,000	–	–	700,000	300,000
Mr B L Hamilton	–	600,000	–	300,000	300,000	300,000
	705,000	**1,680,000**	**–**	**300,000**	**2,085,000**	**1,505,000**

2012	Balance at Start of the Year	Issued during the Year	Exercised during the Year	Lapsed during the Year	Balance at the End of the Year	Vested and Exercisable at the End of the Year
Directors						
Mr D D Boyer[1]	600,000	1,666,667	–	–	2,266,667	1,966,667
Mr C I McGown[1]	475,000	1,000,000	–	–	1,475,000	1,250,000
Mr M B Rosenstreich[1]	1,750,000	–	–	–	1,750,000	1,750,000
Mr R V Rajasooriar	600,000	–	–	–	600,000	300,000
Mr P A Treasure[1]	250,000	3,333,333	–	–	3,583,333	3,583,333
	3,675,000	**6,000,000**	**–**	**–**	**9,675,000**	**8,850,000**
Company Executives						
Ms S P Hunter	475,000	–	–	–	475,000	475,000
Mr K P Denwer	630,000	–	–	–	630,000	630,000
Mr B Burdett	700,000	–	–	–	700,000	700,000
Mr A J Brazier	–	600,000	–	–	600,000	300,000
	1,805,000	**600,000**	**–**	**–**	**2,405,000**	**2,105,000**

[1] Options issued to directors during the year include free attaching listed options pursuant to the rights issue on 4 November 2011 and were issued at $0.20.

33. REMUNERATION OF AUDITORS

	Consolidated	
	2012 $	2011 $
Amounts received or due and receivable by Grant Thornton Audit Pty Ltd for:		
Audit and review of the financial report	70,680	53,744
Taxation and consulting services	7,970	30,349
	78,650	**84,093**

34. PARENT ENTITY DISCLOSURE

	2012 $	2011 $
Financial Position		
Assets		
Current assets	27,262,942	13,169,596
Non-current assets	4,230,107	67,671,030
Total assets	**31,493,049**	**80,840,626**
Liabilities		
Current liabilities	13,034,978	24,461,576
Non-current liabilities	907,870	11,876,172
Total liabilities	**13,942,848**	**36,337,748**
Equity		
Issued capital	61,524,048	50,357,997
Retained earnings	**(50,787,839)**	**(7,356,102)**
Reserves		
Hedge reserve	–	(1,204,315)
Option reserve	6,813,992	2,705,298
Total equity	**17,550,201**	**44,502,878**
Financial performance		
Profit/(loss) for the year	(43,431,737)	(13,786,165)
Other comprehensive income	–	(1,204,315)
Total comprehensive income/(loss)	**(43,431,737)**	**(14,990,480)**
Capital expenditure commitments		
Exploration tenements		
Not later than 12 months	440,000	482,000
Between 12 months and five years	544,000	1,073,400
	984,000	**1,555,400**

34. PARENT ENTITY DISCLOSURE Continued

On 30 June 2012, Bass Metals was issued 98 shares in Hellyer Mill Operations Pty Ltd in lieu of intercompany loans. As a result of the intention to sell Hellyer Mill Operations, the investment in the subsidiary was written down in the parent company to a value of $13,500,000. This has been reflected in the above table.

On 6 July 2012 the Company announced it had signed a binding agreement to sell its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd, to LionGold Corp Ltd, for $13.5 million. LionGold failed to settle by the 7 September and Bass has terminated the agreement. All of the assets which were the subject of the LionGold agreement remain for sale and the Company is in discussions with several groups to complete an alternative sale transaction. Refer to Note 29 for more information.

Information regarding the financial position of Hellyer Mill Operations Pty Ltd has been disclosed at Note 2 of this report.

35. CONTROLLED ENTITY

Bass Metals Ltd subsidiary for the financial year is:
Hellyer Mill Operations Pty Ltd, which is incorporated in Australia – 100% interest (2011: 100%).

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Bass Metals Ltd ("Company"):
   a. The financial statements and notes as set out on pages 34 to 94 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 2012 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 designated as audited comply with the Corporations Act 2001; 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 2012.

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

M B Rosenstreich
Managing Director

Subiaco, Western Australia
28 September 2012

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

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 info.wa@au.gt.com
W www.grantthornton.com.au

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

Report on the financial report

We have audited the accompanying financial report of Bass Metals Limited (the "Company"), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply 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.

GrantThornton

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 Company'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 Company'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 Limited 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 2012 and of its performance for the year ended on that date; and

  ii complying with Australian Accounting Standards 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.

Material uncertainty regarding continuation as a going concern
Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the consolidated entity incurred a net loss after tax of $55,216,746 during the year ended 30 June 2012 (30 June 2011: $13,786,165). These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BASS METALS LIMITED
Continued

GrantThornton

Report on the remuneration report

We have audited the remuneration report included in pages 24 to 29 of the directors' report for the year ended 30 June 2012. 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 Limited for the year ended 30 June 2012, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 28 September 2012

AUDITOR'S INDEPENDENCE DECLARATION

Grant Thornton

Grant Thornton Audit Pty Ltd
ABN 91 130 913 594
ACN 130 913 594

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 info.wa@au.gt.com
W www.grantthornton.com.au

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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Bass Metals Limited for the year ended 30 June 2012, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 28 September 2012

ADDITIONAL INFORMATION

The following additional information is required by the Australian Securities Exchange. The information is current as at 17 September 2012.

(a) Distribution schedule and number of holders of equity securities as at 17 September 2012

Security	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)	133	279	235	798	332	1,777
Quoted Options – 20c 30/9/14	46	150	101	209	82	588
Unquoted Options – 26c 31/12/12	–	–	–	–	1	1
Unquoted Options – 28.5c 31/12/12	–	–	–	–	1	1
Unquoted Options – 30.5c 31/12/12	–	–	–	–	1	1
Unquoted Options – 51c 31/12/12	–	–	–	5	–	5
Unquoted Options – 22c 5/7/13	–	–	–	12	–	12
Unquoted Options – 25c 1/9/13	–	–	–	–	1	1
Unquoted Options – 35c 1/9/13	–	–	–	–	1	1
Unquoted Options – 50c 1/9/13	–	–	–	–	1	1
Unquoted Options – 26c 27/8/15	–	–	–	1	–	1
Unquoted Options – 36.5c 27/8/15	–	–	–	1	–	1
Unquoted Options – 52.5c 27/8/15	–	–	–	1	–	1
Unquoted Options – 42.5c 16/10/12	–	–	–	13	–	13
Unquoted Options – 30c 31/12/12	–	–	–	–	3	3
Unquoted Options – 43.5c 31/1/15	–	–	–	2	–	2
Unquoted Options – 61c 31/1/15	–	–	–	2	–	2
Unquoted Options – 88c 31/1/15	–	–	–	2	–	2
Unquoted Options – 1.3c 31/8/15	–	–	–	–	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as at 17 September 2012 is 1,331.

The number of holders holding less than a marketable parcel of listed $0.20 30 September 2014 options as at 17 September 2012 is 556.

ADDITIONAL INFORMATION Continued

(b) 20 Largest holders of quoted equity securities as at 17 September 2012

The names of the twenty largest holders of fully paid ordinary shares (ASX Code: BSM) as at 17 September 2012 are:

Rank	Name	Units	% of Units
1	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	41,183,963	13.31
2	METALS FINANCE LIMITED	29,746,778	9.61
3	INTEC LTD	18,100,000	5.85
4	HSBC CUSTODY NOMINEES <AUSTRALIA>	9,191,198	2.97
5	FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	8,663,022	2.80
6	CITICORP NOMINEES PTY LIMITED	7,553,165	2.44
7	MANCALA HOLDINGS PTY LTD	6,373,333	2.06
8	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	6,165,419	1.99
9	RMB AUSTRALIA HOLDINGS LIMITED	5,666,667	1.83
10	MR BOONSRI PEWKLIANG + MRS KATIMA PEWKLIANG <THE B PEWKLIANG FAM A/C>	5,000,000	1.62
11	MR RICHARD KEITH HAMILL + MS SUSAN BELLE HAMILL <HONEYPOT SUPER FUND A/C>	4,250,000	1.37
12	MR DAVID DONALD BOYER <DB FAMILY A/C>	3,610,074	1.17
13	J P MORGAN NOMINEES AUSTRALIA LIMITED	3,600,257	1.16
14	HAWKESTONE OIL PTY LTD	3,290,988	1.06
15	MR ROBERT SYLVESTER SHERWOOD	3,000,000	0.97
16	MESUTA PTY LTD	2,753,006	0.89
17	DAMPLIN INVESTMENTS PTY LTD	2,327,777	0.75
18	IONIKOS PTY LTD <THE MCGOWN SUPER FUND A/C>	2,009,116	0.65
19	MR HARTMUT KNUT FRANK + MISS MALEEWAN JANSAWANG	2,000,000	0.65
20	MR MARKUS TERJUNG	1,860,000	0.60
	TOTAL	**166,344,763**	**53.75**

Stock Exchange Listing: Listing has been granted for 309,450,145 ordinary fully paid ordinary shares of the Company on issue on the Australian Securities Exchange. The Company's ordinary fully paid shares are also quoted on the Deutsche Börse (R2F-Ber (Berlin) and R2F-FRA (Frankfurt)).

ADDITIONAL INFORMATION Continued

The names of the twenty largest holders of listed $0.20 30 September 2014 options (ASX Code: BSMO) as at 17 September 2012 are:

Rank	Name	Units	% of Units
1	MANCALA HOLDINGS PTY LTD	8,333,332	9.25
2	MR DAVID SHANE MILLER	7,136,930	7.92
3	MR CHRISTOPHER DAVID HILL <HILL FAMILY A/C>	5,000,000	5.55
4	MR SAIRAM SIVANAGA BALAJI GRANDHI + MRS SOWMYA GRANDHI <GRANDHI FAMILY SUPERFUND A/C>	3,746,106	4.16
5	METALS FINANCE LIMITED	3,333,333	3.70
6	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,260,661	3.62
7	INTEC LTD	3,100,000	3.44
8	MR JAMES CHONG	3,000,000	3.33
9	HELMSEC GLOBAL CAPITAL LIMITED	2,599,592	2.88
10	MR MICHELE PAGLIARO <PAUL & SANDRA PAGLIARO A/C>	2,500,100	2.77
11	MR CHIA CHENG LEE	2,500,000	2.77
12	MR SIMON MANSOUR	2,361,132	2.62
13	MR DAVID DONALD BOYER <DB FAMILY A/C>	2,279,074	2.53
14	MR MICHAEL PAGLIARO	2,000,100	2.22
15	MR CHRISTOPHER LESLIE JARRETT + MS MAYA FROST <C L JARRETT SUPERFUND A/C>	2,000,000	2.22
16	NINE ONE FOUR PTY LTD <THE SUPER VIDA FUND A/C>	2,000,000	2.22
17	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,868,297	2.07
18	IONIKOS PTY LTD <THE MCGOWN SUPER FUND A/C>	1,550,782	1.72
19	KONKOLA INVESTMENTS PTY LTD <KONKOLA A/C>	1,333,334	1.48
20	MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LIMITED <NO 1 ACCOUNT>	1,289,762	1.43
	TOTAL	**61,192,535**	**67.90**

Stock Exchange Listing: Listing has been granted for 90,137,678 listed $0.20 30 September 2014 options on issue on the Australian Securities Exchange.

The unquoted securities on issue as at 17 September 2012 are detailed below in part (d).

(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
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	41,183,963	13.31
METALS FINANCE LTD	26,413,445	12.38
INTEC LTD	18,100,000	5.85

ADDITIONAL INFORMATION Continued

(d) Unquoted Securities

The number of unquoted securities on issue as at 17 September 2012 are as follows:

Security	Number on Issue
Options exercisable at $0.51 on or before 31 December 2012.	425,000
Options exercisable at $0.425 on or before 16 October 2012.	765,000
Options exercisable at $0.25 on or before 1 September 2013.	200,000
Options exercisable at $0.35 on or before 1 September 2013.	200,000
Options exercisable at $0.50 on or before 1 September 2013.	200,000
Options exercisable at $0.26 on or before 31 December 2012.	300,000
Options exercisable at $0.285 on or before 31 December 2012.	300,000
Options exercisable at $0.305 on or before 31 December 2012.	300,000
Options exercisable at $0.30 on or before 31 December 2012.	650,000
Options exercisable at $0.22 on or before 5 July 2013.	730,000
Options exercisable at $0.435 on or before 31 January 2015.	75,000
Options exercisable at $0.61 on or before 31 January 2015.	75,000
Options exercisable at $0.88 on or before 31 January 2015.	75,000
Options exercisable at $0.26 on or before 27 August 2015.	100,000
Options exercisable at $0.365 on or before 27 August 2015.	100,000
Options exercisable at $0.525 on or before 27 August 2015.	100,000
Options exercisable at $0.013 on or before 31 August 2015.	15,000,000
Total	**19,595,000**

(e) Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 17 September 2012

Security	Name	Number of Securities
Unquoted Options exercisable at $0.013 on or before 31 August 2015.	RMB Australia Holdings Ltd	15,000,000

(f) Restricted Securities as at 17 September 2012

The Company has 768,410 fully paid ordinary shares under voluntary escrow which have been issued to the Managing Director and certain senior employees of the Company pursuant to the Company's Employee Share Loan Scheme. These shares will remain under voluntary escrow until such time as the employee repays the loan related to the ordinary shares or the Company forgives the loan in accordance with the terms and conditions of the Company's Employee Share Loan Scheme.

There are no other restricted securities on issue as at 17 September 2012.

ADDITIONAL INFORMATION Continued

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 Suite 7, 186 Hay Street, Subiaco WA 6008.

(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 as at 17 September 2012are as follows:

Tenement	Interest
EL31/2003 Heazlewood[1]	100%
EL36/2003 Whyte River[1]	100%
EL48/2003 Mt Block	100%
EL24/2004 Bulgobac River	100%
EL28/2009 Lake Margaret[2]	75%
EL20/1010 Sock Creek[2]	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%
EL 24/2010 Mackintosh Creek	100%

Note 1: Subject to a commodity based joint venture with Venture Minerals and Stellar Resources.

Note 2: Subject to joint venture with Clancy Exploration Limited

CORPORATE GOVERNANCE

Corporate Governance Statement

Bass Metals Ltd ("Bass Metals" 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 which were updated in June 2010 in relation to diversity, remuneration, trading policies and briefings ("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 at 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 of such;
- 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.

CORPORATE GOVERNANCE Continued

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, Board committees and individual Directors, where deemed appropriate. The Company conducts an annual performance evaluation of the Board each financial year. During the financial year, the Company conducted an informal performance evaluation of the Board and next financial year plan to undertake a formal performance evaluation of the Board which will involve 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 assets;
- 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 C I McGown), two Non-executive Directors (Mr B J K Sullivan and Mr P A Treasure) and one Executive Director (Mr M B 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 C I McGown (Chairman) and Mr B J K Sullivan 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 P A 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 size and activities. 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 additional 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.

CORPORATE GOVERNANCE Continued

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, where required. The Board had previously had a separate Remuneration Committee, but resolved on 27 June 2012 to dissolve the Remuneration Committee and have the whole Board act as the Remuneration Committee. Prior to 27 June 2012, the Remuneration Committee comprised C I McGown (Chair of the Board and the Remuneration Committee) and P A Treasure (Non-executive Director).

Given the current size of the Company, the Board believes no efficiencies or other benefits can 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. A summary of the Remuneration Committee Charter is available on the Company's website. 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

The Board has established an Audit Committee which is comprised of Mr C I McGown (Chairman of the Committee and Chairman of the Board) and Mr P A Treasure (Non-Executive Director who is not deemed to be independent). Ms S P Hunter (Company Secretary) was a member of the Audit Committee from 1 July 2011 to 10 February 2012. No Executive Directors are members of the Committee. The Audit Committee does not consist of a majority of independent Directors as it consists of one independent Non-Executive Director who is Chairman of the Board and of the Committee (Mr C I McGown) and one non-independent Non-Executive Director (Mr P A Treasure). The Board considers that the Audit Committee's structure has been, and continues to be, appropriate in the context of the Company's size. The Company considers that the Non-Executive Chairman of the Board is an appropriate Chairman of the Audit Committee and that Mr C I McGown possesses the necessary financial skills and experience suitable to Chair the Company's Audit Committee. 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.

A formal Audit Committee Charter has been adopted, a copy of which is available on the Company's website.

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

CORPORATE GOVERNANCE Continued

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 entity for the financial year ended 30 June 2011 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 have 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 M B Rosenstreich (Chairman of the Committee), Mr C I McGown and Mr A J Brazier. Mr M B Rosenstreich is the Managing Director, Mr C I McGown is an independent Non-executive Director and Mr A J Brazier 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.

CORPORATE GOVERNANCE Continued

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.

CORPORATE GOVERNANCE Continued

Diversity Policy

The Company has adopted a Diversity Policy. The Company is committed to workplace diversity and recognises the benefits arising from employee and board diversity, including a broader pool of high quality employees, improving employee retention, accessing different perspectives and ideas and benefiting from all available talent. Diversity includes, but is not limited to, gender, age, ethnicity and cultural background.

To the extent practicable, the Company will address the recommendations and guidance provided in the ASX Principles and Recommendations.

The Board is responsible for developing objectives and strategies to meet the objectives of the Diversity Policy (Objectives) and will discuss at least annually the progress against and achievement of these Objectives. The Board may also set measurable objectives for achieving gender diversity. The Board is responsible for implementing, monitoring and reporting on the Objectives.

Given the size of the Company, no measurable objectives have been set however the Company has disclosed below the proportion of women employees in the Company, in senior executive positions and on the Board.

The Company's Diversity Policy is available on the Company's website.

The Company provides the proportion of women employees in the Company, in senior executive positions and on the Board as at the end of the financial year below.

	Female	Male
Board	–	4
Senior Executives	5	4
Other Employees	3	2
	8	**10**

CORPORATE GOVERNANCE Continued

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 for its size and activities. 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.
3.3	The Company should disclose the measurable objectives for achieving gender diversity.	The Board has not established measurable objectives for achieving gender diversity.	The Board has established a Diversity Policy. Given the present size of the Company and its activities, the Board believes that no efficiencies or other benefits could be gained through establishment of measurable objectives for achieving gender diversity. The Board will re-consider establishing measurable objectives for achieving gender diversity as the Company's workforce and operations grow.
4.2	The Company's audit committee should consist of a majority of independent directors, be chaired by an independent chair, who is not chair of the board, and have at least three members.	The Audit Committee consists of two members, Mr C I McGown, the Company's independent Non-executive Chairman, who also chairs the Committee, and Mr P A Treasure, Non-executive Director who is not deemed to be independent.	The Board considers that the Audit Committee's structure has been, and continues to be, appropriate for the Company's size and activities. The Company considers that the Non-executive Chairman of the Board is an appropriate Chairman of the Audit Committee and that Mr C I McGown possesses the necessary financial skills and experience suitable to chair the Company's Audit Committee. It is noted the Board has adopted an Audit Committee Charter.
8.1 and 8.2	The Board should establish a Remuneration Committee.	The Board no longer has a separate Remuneration Committee, however, the responsibilities of such a 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. The Board will re-consider establishing a separate Remuneration Committee as the Company's operations grow. 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.

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HITACHI

BassMetals Ltd.

Suite 7, 186 Hay Street, Subiaco WA 6008
PO Box 1330, West Perth WA 6872

Telephone (08) 6315 1300
Facsimile (08) 9481 2846

Web www.bassmetals.com.au
Email admin@bassmetals.com.au