Bass Metals Ltd.

ABN 31 109 933 995

HALF-YEAR REPORT

For the period ended
31 December 2012

TABLE OF CONTENTS

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Telephone: 1300 55 70 10

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STOCK EXCHANGE LISTINGS

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

DIRECTORS REPORT

Your Directors submit the interim financial report of Bass Metals Ltd ("the Company" or "Bass") and its controlled entities ("the Consolidated Group") for the half-year ended 31 December 2012.

Directors

The following were directors of the Company during the reporting period and until the date of this report:

Mr Craig Ian McGown – Independent Non-executive Chairman

Mr Michael Benjamin Rosenstreich – Managing Director

Mr Patrick Anthony Treasure – Non-executive Director

Mr Barry James Kevin Sullivan – Non-executive Director

Directors were in office for the entire period unless otherwise stated.

Consolidated Entities

Hellyer Mill Operations Pty Ltd ("HMO") was a wholly owned subsidiary of Bass during the half-year but was sold to an independent third party on 23 February, 2013.

REVIEW OF OPERATIONS

In the six months to 31 December, 2012 the Company focussed on selling key assets to reduce debt, manage its creditor position and banking facilities and securing its former operational sites onto a sustainable care and maintenance regime. This entire scope was progressing very well when a binding asset sale transaction was unlawfully terminated and Bass had to restart that divestment process whilst maintaining the support of all stakeholders and in parallel commencing legal proceedings seeking damages for the breach of sale contract.

Operational Results

The total loss for the period after tax is $9,866,533 (2011: $52,061,970) with the main components comprising: final sales adjustments of $4,777,791, other administration charges (such as legal expenses) of $997,116; care and maintenance costs of $372,881 and employee expenses (including redundancy costs) of $779,463.

1. CORPORATE ACTIVITIES

The main corporate focus of the Company during the period was to complete an asset sale process to realise sufficient funds to repay the residual debt position of approximately $9.2 million.

1.1 FINANCIAL POSITION

Cash on hand at the end of December 2012 was $1.15 million.

Receipts from concentrate sales totalled $3.19 million for the period, with some further modest receipts expected in the March 2013 quarter with the finalisation of copper-silver concentrate invoices.

Debt: the Company's remaining debt at the end of December 2012 comprised secured creditors of $5.8 million following further repayments of $1.75 million during the period. The unsecured creditor position is approximately $3.4 million, a reduction of $0.5 million due largely to adjustments of liabilities associated with concentrate sales.

On 30 November, Bass reported that RMB Australia Holdings Ltd (RMBAH), its banker and primary secured creditor, had agreed to extend the final repayment date of its existing debt facilities from 21 December 2012 to 22 February 2013. This extension was sought on the basis that Bass had received several proposals for the purchase of a selection of its assets and the Board considered that there were strong prospects of finalising a transaction within the new agreed time frame.

As part of the extension, Mancala Mining and RMBAH agreed to extend the existing Standstill Agreement in line with the RMBAH facilities extension, to 22 February, 2013.

1.2 COMMERCIAL

On 6 July, 2012 Bass announced the sale of its 100% owned subsidiary, HMO to LionGold Corp. Ltd of Singapore for $13.5 million. LionGold also agreed to take a placement in Bass of 58 million shares at 1 cent to provide Bass with a further $0.58 million of working capital. HMO owns the Hellyer Plant, the Hellyer Tails and the underlying Hellyer Mine Lease; LionGold planned to assess options to retreat the tails to recover gold and silver.

Bass retained its exploration rights for base metals on the Hellyer Mine Lease through a Sublease Agreement with HMO.

To facilitate the LionGold deal or the potential sale of the Hellyer plant, Bass announced on 9 July, 2012 that it had signed a binding letter agreement with Intec Limited (ASX:INL) to remove the Hellyer Processing Royalty in return for the issue to Intec of 15,000,000 Bass shares and a 2.5% Net Smelter Return royalty payable on the sale proceeds of any base metal ores mined and attributable to Bass on certain leases in the Hellyer – Que River area.

Unfortunately, LionGold failed to settle on the transaction, breaching the binding Share Sale Agreement. LionGold claims that Bass had failed to meet all the conditions precedent to settlement and despite it having a clear, contractual obligation to inform Bass if it was not satisfied with any conditions precedent, no such concerns were ever conveyed to Bass and LionGold has still not informed Bass which conditions precedent was causing concern. It is important to note that LionGold completed its due diligence, including commercial and technical reviews before signing the binding share sale agreement and satisfaction of due diligence was not a conditions precedent to settlement. As a result Bass has filed a writ for damages in the WA Supreme Court against LionGold. LionGold has since made application for the service of those writs to be set aside which will be heard in the WA Supreme Court on 26 March, 2013.

1.3 CAPITAL STRUCTURE

During the period the Company:

- Issued 15,000,000 shares to Intec Envirometals Ltd as part consideration for the restructuring of the Hellyer Processing Royalty, referred to in section 1.2 above; and
- Issued 30,200,000 unlisted options to RMBAH comprising a Drawdown and an Extension fee to the Company's loan facility.
- Cancelled 90,600,000 unlisted options previously held by RMBAH in accordance with ASX Listing Rule 6.23.1 for nil consideration; and
- Cancelled 4,805,000 unlisted employee options pursuant to the terms of the Bass employee share option schemes as the employee option holders had left the Company. Note 2,740,000 of these options expired during the reporting period.

The Share issue and the issue of 15 million options to RMBAH were approved by Shareholders at a General Meeting of Shareholders held on 17 August, 2012. The balance of the option issue to RMBAH was under the Company's 15% Placement capacity.

As at 31 December, 2012, the Company had 309,450,145 fully paid ordinary shares, 90,137,678 quoted options and 32,055,000 unquoted options on issue.

2. TASMANIAN SITE ACTIVITIES

2.1 SAFETY

There were no lost time injuries (LTI) on the Company's operations during the half year to 31 December 2012 and the site has been LTI free for almost 3 years.

2.2 ENVIRONMENT

There were no material environmental incidents during the period on any Bass managed tenements. The Company is operating the Hellyer and Que River Mine Leases in accordance with respective Care and Maintenance Plans agreed with the Tasmanian EPA. Key activities comprise remediation of areas with acid mine drainage potential, lime dosing of acid mine run-off to precipitate any metals in solution and to contain and treat any contaminated water within designated areas prior to discharge.

2.3 HELLYER MINE PROJECT

The Fossey Mine and Hellyer Plant have been placed on care and maintenance. Surplus equipment such as underground electrical equipment and an automated cemented aggregate fill plant are being sold.

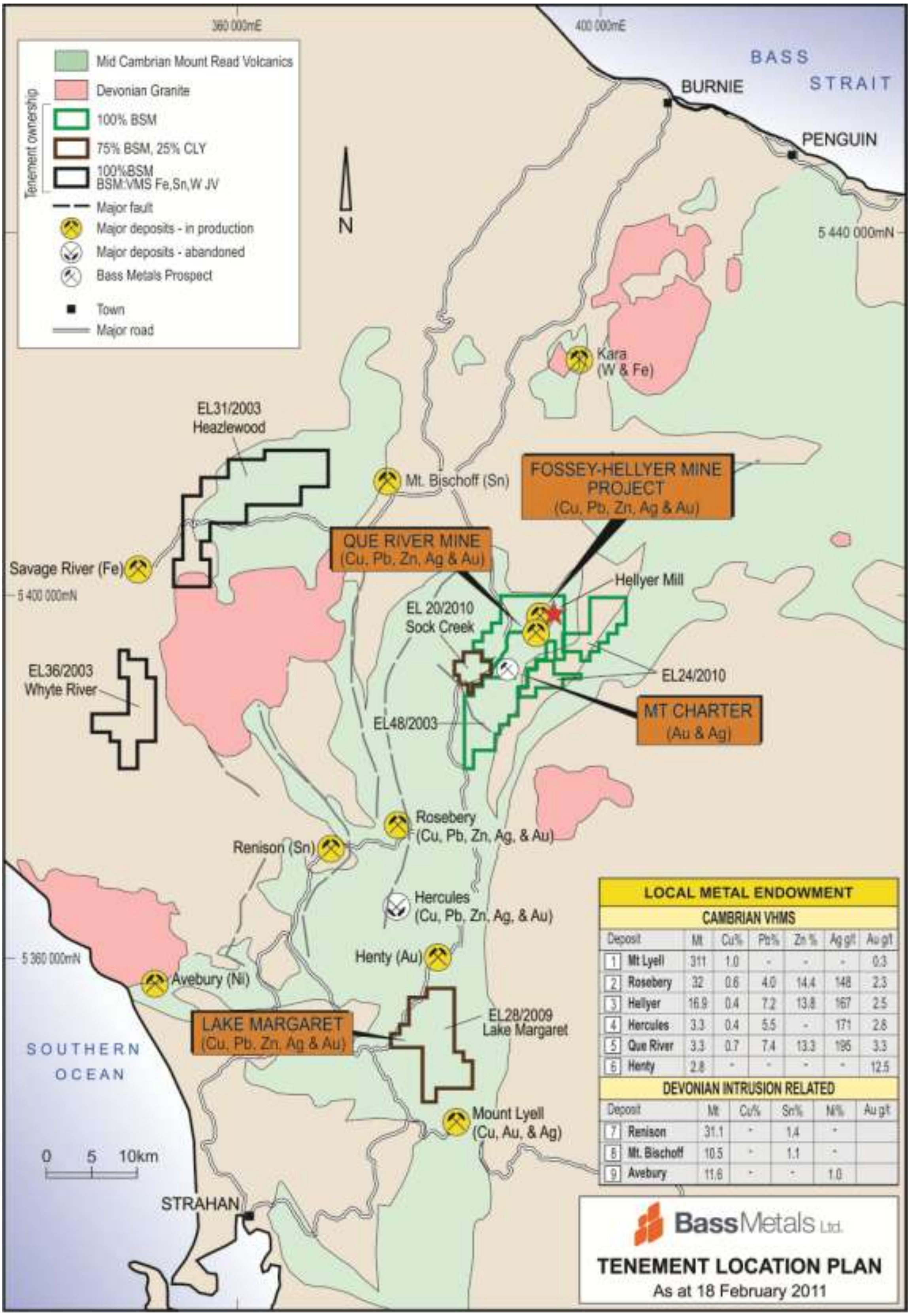
2.4 QUE RIVER MINE

The Que River Mine site is on a care and maintenance regime.

2.5 EXPLORATION

Bass has retained its entire highly prospective tenement package but due to cash constraints has not undertaken any exploration work during the period. The Company was granted a 12 month deferment of exploration expenditure by Mineral Resources Tasmania; a supportive initiative recognising Bass' previous exploration and mining commitment and success.

Figure 1: Bass' current tenement holdings and Joint Venture interests.



LOCAL METAL ENDOWMENT

CAMBRIAN VHMS						
Deposit	Mt	Cu%	Pb%	Zn %	Ag g/t	Au g/t
1 Mt Lyell	311	1.0	-	-	-	0.3
2 Rosebery	32	0.6	4.0	14.4	148	2.3
3 Hellyer	16.9	0.4	7.2	13.8	167	2.5
4 Hercules	3.3	0.4	5.5	-	171	2.8
5 Que River	3.3	0.7	7.4	13.3	195	3.3
6 Henty	2.8	-	-	-	-	12.5

DEVONIAN INTRUSION RELATED					
Deposit	Mt	Cu%	Sn%	Ni%	Au g/t
7 Renison	31.1	-	1.4	-	
8 Mt. Bischoff	10.5	-	1.1	-	
9 Avebury	11.6	-	-	1.0	

Note: *The data presented in the Endowment Table above refers to historic production and published Mineral Resources as reported from Tasmanian Government Dept public database (MRT). This information should not be construed as compiled Mineral Resources but as an indication of the highly mineralised nature of the region.*

2.6 COMPETENT PERSONS STATEMENTS

The information contained within this report that relates to exploration results and Mineral Resource estimates is based on information compiled by Mr Michael Rosenstreich who is a full time employee of the Company. Mr Rosenstreich is a Member of The Australasian Institute of Mining and Metallurgy. He has 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 as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)" and he consents to the inclusion of this information in the form and context in which it appears in this report.

3. Subsequent Events

On 30 January 2013, the company announced an asset sale transaction that on completion would enable the company to clear its debts and relaunch exploration and undertake new acquisition assessments. The announcement related to a binding Heads of Agreement with Ivy Resources Pty Ltd for the sale of the company's wholly owned subsidiary HMO for a purchase price of $11 million dollars. The completion of the transaction was contingent upon the satisfaction of conditions customary under such an agreement.

On 22 February 2013, RMBAH agreed to a further extension of the Final Repayment Date of its loan facilities to 12 March 2013 in anticipation that FIRB approval for the Ivy transaction would not be advised in time to effect settlement prior to 22 February 2013, the former Final Repayment Date for RMBAH facilities.

On 25 February 2013, the company announced that the above transaction to sell HMO had been successful and settlement and receipt of the final payment was received on 23 February 2013.

On 25 February 2013, the company announced the repayment in full of all secured creditors. In the following week all unsecured creditors were paid out also. All creditors received full repayment of their amounts owing.

There are no other matters or circumstances not otherwise dealt with in the financial report that has significantly affected or may affect the Group.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 30.

Signed in accordance with a resolution of the Directors:

M B Rosenstreich
Managing Director

West Perth, Western Australia
12 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Half-year ended 31 Dec 2012 $	31 Dec 2011 $
Sales revenue	3	1,573,421	34,119,181
Final sales adjustments	3	(4,777,791)	-
Cost of sales	4	(152,413)	(33,164,013)
Gross loss		**(3,356,783)**	**955,168**
Other income	3	468,977	73,006
Other expenses	4	(3,012,704)	(23,031,727)
Share-based payment expenses	4	(299,080)	(4,180,007)
Finance costs	4	(416,963)	(4,213,044)
Loss before income tax		**(6,616,553)**	**(30,396,604)**
Income tax benefit		30,758	3,193,466
Loss after income tax from continuing operations		**(6,585,795)**	**(27,203,138)**
Loss for the period from discontinuing operations	2	(3,280,738)	(24,858,832)
Loss for the period		**(9,866,533)**	**(52,061,970)**
Other comprehensive loss net of income tax			
Cash flow hedge taken to equity		-	5,464,520
Total other comprehensive profit/(loss)		**-**	**5,464,520**
Total comprehensive loss for the period		**(9,866,533)**	**(46,597,450)**
Loss attributed to:			
Members of the parent entity		(9,866,533)	(46,597,450)
Total comprehensive income attributed to:			
Members of the parent entity		(9,866,533)	(46,597,450)
Earnings per share			
Basic and diluted earnings per share from continuing operations (cents)		(2.18)	(11.34)
Basic and diluted earnings per share from discontinued operations (cents)		(1.09)	(10.37)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note	31 Dec 2012 $	30 June 2012 $
CURRENT ASSETS			
Cash & cash equivalents	6	1,146,970	3,671,949
Trade & other receivables		760,272	9,168,044
Derivative financial assets	15	-	696,787
Other assets		66,156	226,162
Assets and disposal groups held for sale	2	11,000,000	13,500,000
Total Current Assets		**12,973,398**	**27,262,942**
NON-CURRENT ASSETS			
Trade & other receivables		737,500	759,030
Plant & equipment	12	317,948	421,077
Capitalised exploration & evaluation expenditure	11	3,113,978	3,050,000
Total Non-Current Assets		**4,169,426**	**4,230,107**
TOTAL ASSETS		**17,142,824**	**31,493,049**
CURRENT LIABILITIES			
Trade & other payables		4,313,379	7,826,754
Borrowings	14	3,858,198	5,119,978
Provisions		108,510	152,983
Total Current Liabilities		**8,280,087**	**13,099,715**
NON-CURRENT LIABILITIES			
Borrowings	14	142,494	107,595
Provisions		737,495	735,538
Total Non-Current Liabilities		**879,989**	**843,133**
TOTAL LIABILITIES		**9,160,076**	**13,942,848**
NET ASSETS		**7,982,748**	**17,550,201**
EQUITY			
Issued capital	5	61,674,048	61,524,048
Reserves		1,920,794	6,813,992
(Accumulated losses)/Retained profits		(55,612,094)	(50,787,839)
TOTAL EQUITY		**7,982,748**	**17,550,201**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Issued Capital $	Retained Profits/ (Accumulated Losses) $	Option Reserve $	Hedge Reserve $	Total Equity $
Balance at 1 July 2011	50,357,997	4,428,907	2,705,298	(1,204,315)	56,287,887
Comprehensive income/(loss) for the period	-	(52,061,970)	-	5,464,520	(46,597,450)
Transactions with owners, recorded directly in equity					
Shares issued during the period	12,150,650	-	-	-	12,150,650
Share issue costs	(984,597)	-	-	-	(984,597)
Share based payments	-	-	4,180,007	-	4,180,007
Balance at 31 December 2011	**61,524,050**	**(47,633,063)**	**6,885,305**	**4,260,205**	**25,036,497**
Balance at 1 July 2012	61,524,048	(50,787,839)	6,813,992	-	17,550,201
Comprehensive income/(loss) for the period	-	(9,866,533)	-	-	(9,866,533)
Transactions with owners, recorded directly in equity					
Transfer on expiry and cancellation of options	-	5,042,278	(5,042,278)	-	-
Share based payments	150,000	-	149,080	-	299,080
Balance at 31 December 2012	**61,674,048**	**(55,612,094)**	**1,920,794**	**-**	**7,982,748**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

	Note	Half-year ended 31 Dec 2012 $	31 Dec 2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		4,051,494	32,513,758
Cash payments in the course of operations		(5,799,052)	(40,069,192)
Income tax refunds		30,758	-
Interest received		60,433	94,841
Interest paid		(270,449)	(862,270)
Net cash used in operating activities		**(1,926,816)**	**(8,322,863)**
Cash flows from investing activities			
Proceeds from sale of plant & equipment		40,322	27,400
Purchase of plant & equipment		-	(315,702)
Payments for exploration & evaluation expenditure		(63,978)	(1,663,001)
Payments for development of mine properties		-	(4,506,262)
Proceeds from/(payments for) derivative financial instruments		602,375	125,166
Net cash used in investing activities		**578,719**	**(6,332,399)**
Cash flows from financing activities			
Proceeds from issue of shares		-	4,648,301
Proceeds from borrowings		-	14,842,883
Repayments of borrowings		(1,376,881)	(6,859,000)
Proceeds from other financing activities		200,000	-
Costs of share issues		-	(614,600)
Net cash provided by financing activities		**(1,176,881)**	**12,017,584**
Net decrease in cash and cash equivalents		(2,524,978)	(2,637,678)
Cash and cash equivalents at the beginning of the period		3,671,949	6,355,449
Cash and cash equivalents at the end of the period	**6**	**1,146,971**	**3,717,771**

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

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

(a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2012 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134: *Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Bass Metals Ltd and its controlled entities ("the Group"). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2012, together with any public announcements made during the half-year.

(b) Adoption of New and Revised Accounting Standards

In the half-year ended 31 December 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2011.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and therefore no change is necessary to the Group's accounting policies.

The Group has revised all new Standards and Interpretations that have been issued but are not effective for the half-year ended 31 December 2012. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

(c) 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 period components or 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. Refer to Note 2 for further information.

(d) Plant & Equipment

Plant and equipment is measured at cost less, where applicable, any accumulated depreciation and impairment losses. Depreciation is recognised on a straight line basis to write down the cost less estimated residual value of the asset.

On 30 January 2013, the Company announced it had entered into a binding heads of agreement to sell its wholly owned subsidiary Hellyer Mill Operations Pty Ltd (HMO). Plant and equipment held by HMO is recognised in the statement of financial position as assets held for sale. Refer to Note 2 for further information.

Plant and equipment assets unrelated to the announcement remain unaffected, and useful lives remain as disclosed in the annual financial statements of the Group for the year ended 30 June 2012.

(e) Mine Properties

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

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

Following adoption of the revised mine and mill plan in January 2012, estimated total reserves have materially reduced. This has resulted in mine properties being fully amortised as at 30 June 2012.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies (cont)

(f) Capitalised Exploration & Evaluation Expenditure

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

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

When production commences, the accumulated costs for the relevant area of interest are transferred to Mine Properties and amortised over the life of the area according to the rate of depletion of the economically recoverable reserves (refer to Note 1(e) *Mine Properties* for further information).

(g) Critical Accounting Estimates and Judgements

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

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

Impairment of Non-financial Assets other than Goodwill and Indefinite Life Intangibles

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

Following adoption of the revised mine and mill plan in January 2012, additional impairment charges were recognised against various assets where the estimated total reserves were materially reduced. Assets effected by the revision of the mine and mill plan were fully amortised in the 30 June 2012 annual report.

Recoverability of Assets

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

Determination of Ore Reserves and Remaining Mine Life

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

In estimating the remaining mine life 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.

Following adoption of the revised mine and mill plan in January 2012, estimated total reserves have materially reduced, and accordingly, the useful lives of some assets. Refer Note 1(e) *Mine Properties* for further information.

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies (cont)

Estimation of Useful Lives of Assets

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

Following adoption of the revised mine and mill plan in January 2012, estimated total reserves have materially reduced, and accordingly, the useful lives of some assets. Refer Note 1(d) *Plant & Equipment* for further information.

Units-of-Production Amortisation and Depreciation

Estimated recoverable reserves are used in determining the depreciation and amortisation of mine specific assets. This results in amortisation/depreciation charges 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.

Following adoption of the revised mine and mill plan in January 2012, estimated total reserves have materially reduced, and accordingly, the useful lives of some assets. Refer Note 1(d) *Plant & Equipment* and Note 1(e) *Mine Properties* for further information.

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.

Following adoption of the revised mine and mill plan in January 2012, a value-in-use deficiency was identified and an impairment charge booked, therefore the likelihood of the Group generating taxable income in future periods is not probable. This removed the requirement to recognise the deferred tax liability and deferred tax asset.

(h) Changes in Accounting Estimates

In January 2012, the directors received revised technical inputs regarding metallurgical recovery as a result of milling campaigns undertaken during the period. The results of the financial assessment of this information required modification to the mine plan including revision to the ore grades and ore reserves, adjusting downward the estimated metallurgical recoveries, life of mine and changes to expected metal prices, ie: ore reserves have decreased from 677,669 to 510,004 tonnes.

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 financial effects of the changes in accounting estimates are as follows:

- Increase in amortisation charge on *Mine Properties* assets as a result of downgrades in ore reserves, resulting in the asset being fully amortised at 30 June 2012;
- *Plant & Equipment* assets are recognised as assets held for sale in the statement of financial position and are recognised at fair value, resulting in an impairment charge for the current period of $2,681,833 (refer to Note 2 for more information).

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies (cont)

(i) Derivative financial instruments and hedging

The Group uses Australian dollar commodity derivative financial instruments to hedge exchange rate and commodity price risks associated with US dollar commodity sales. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The fair value of a derivative changes in response to changes in the underlying foreign exchange rate or commodity price; for example, increasing commodity prices will lower the fair value of the Group's forward commodity contracts. Derivative assets and liabilities are classified as non-current when the remaining term to maturity is more than 12 months, or current when the remaining term to maturity is less than 12 months.

Any gains or losses arising from changes in the fair value of derivatives, except for those that qualify as cash flow hedges, are taken directly to profit or loss for the period. For the purposes of hedge accounting, hedges are classified as:

- Fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment (the Group does not currently have any fair value hedges);
- Cash flow hedges when they hedge the exposure to variability in cash flows that is attributable either to a particular risk associated with a recognised asset or liability or to a forecast transaction (the Company currently has cash flow hedges attributable to lead, silver and zinc forward contracts);
- Hedges of a net investment in a foreign operation (the Group does not currently have any hedges of a net investment in a foreign operation)

The Group's cash flow hedges meet the strict criteria for hedge accounting and are accounted for in accordance with AASB 139: *Financial Instruments: Recognition and Measurement* and as summarised below.

The Group tests each of the designated cash flow hedges for effectiveness at each reporting date both retrospectively and prospectively by comparing the cash flow, or fair value for unrealised hedge movements, of the hedge and the hedged item. Where the difference between the two is within a range of 80% to 125%, the hedge is considered highly effective and continues to be designated as a cash flow hedge.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity while the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

If the forecast transaction is no longer expected to occur, the hedge would no longer be considered effective and amounts recognised in equity are transferred immediately to the statement of comprehensive income.

(j) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of loan facilities are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(k) Going Concern

The interim financial report for the half year ended 31 December 2012 has been prepared on the basis of going concern. The Directors of the Company consider the basis of going concern is appropriate for the following reason:

1. Subsequent to the end of the reporting period the Company has sold HMO for $11 million dollars, allowing for all its secured creditors to be paid in full along with outstanding unsecured creditors.

NOTES TO THE FINANCIAL STATEMENTS

1. Assets and Disposal Groups Classified as Held for Sale

On 30 January 2013, the Company announced it had signed a binding heads of agreement to sell its wholly-owned subsidiary, HMO, to Ivy Resources Pty Ltd for $11 million. The first instalment payment of $600,000 was received on 8 February 2013 and the remaining $10.4 million was paid on completion, with settlement occurring on 23 February 2013. Refer to Note 9 for more information.

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

	31 Dec 2012 $	31 Dec 2011 $
Sundry income	12,855	18,006
Operating costs	(340,637)	(4,510,150)
Depreciation and amortisation	-	(17,940,357)
Other expenses	(271,123)	(2,426,331)
Impairment charges	(2,681,833)	-
Loss for the period	**(3,280,738)**	**(24,858,832)**

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

	31 Dec 2012 $	30 June 2012 $
Property plant and equipment	5,362,920	5,362,920
Mine properties	6,318,167	9,000,000
Other receivables	2,012,000	2,012,000
Trade and other payables	(673,380)	(855,213)
Provisions	(2,019,707)	(2,019,707)
Asset classified as held for sale	**11,000,000**	**13,500,000**

There were no cash flows generated by HMO for the reporting period under review.

NOTES TO THE FINANCIAL STATEMENTS

3. Revenue

		31 Dec 2012 $	31 Dec 2011 $
(a)	**Sales revenue**		
	Concentrate sales – Fossey	1,573,421	34,119,181
	Sales adjustment on final assay results[1]	(4,777,791)	-
	Total sales revenue	**(3,204,370)**	**34,119,181**
(b)	**Other income**		
	Interest received	60,433	94,841
	Foreign currency gain/(loss)	(3,802)	(64,340)
	Gain on sale of fixed assets	38,707	-
	Other fees[2]	200,000	-
	Other gain/(loss)	173,639	42,505
	Total other income	**468,977**	**73,006**

[1]*Concentrate Sales*

Sales adjustments on final invoicing of ($4,777,791) has arisen as per contract terms for the Company's sale of metal concentrates which allows for price adjustments 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 for both metal content and exchange rate made upon final determination. The period between provisional invoicing and final settlement can be between one and six months.

[2]*Other Fees*

During the review period, Ivy Resource Pty Ltd paid the Company a $200,000 non-refundable fee for the right to due diligence on the Company's asset held for sale.

NOTES TO THE FINANCIAL STATEMENTS

4. Expenses

		31 Dec 2012 $	31 Dec 2011 $
(a)	**Cost of sales**		
	Production costs	430,961	23,529,770
	Amortisation – mine properties	-	2,356,837
	Royalties adjustments	(138,686)	393,539
	Treatment charge adjustments on final assay results	(139,860)	6,883,867
	Total cost of sales	**152,415**	**33,164,013**
(b)	**Other expenses**		
	Employee benefits expense	779,463	591,519
	Contracting & consulting expense	112,974	196,388
	Operating lease expense	29,585	96,363
	Other administration expense	997,116	1,314,211
	Depreciation – plant & equipment	101,379	88,423
	Amortisation – rehabilitation assets	-	200,954
	Additional mine properties' amortisation resulting from ore reserves revision	-	7,306,819
	Capitalised exploration & evaluation expenditure written off	285	2,560,853
	Value-in-use impairment charge	-	10,500,000
	Hellyer operating infrastructure – care & maintenance	372,881	349,803
	Fossey mine closure management	524,607	-
	Net (gain)/loss on derivative financial instruments	94,414	(173,606)
	Total other expenses	**3,012,704**	**23,031,727**
(c)	**Share-based payments**		
	Share options expense (refer note 10)	149,080	4,180,007
	Shares issued at fair value (refer note 5)	150,000	-
		299,080	**4,180,007**
(d)	**Finance costs**		
	Interest charges	406,271	2,444,119
	Borrowing costs	-	881,789
	Finance costs	10,692	887,136
	Total finance costs	**416,963**	**4,213,044**
	Total expenses	**3,881,162**	**64,588,791**

NOTES TO THE FINANCIAL STATEMENTS

5. Movements in Issued Capital

	31 Dec 2012 Number of Shares	$	30 June 2012 Number of Shares	$
At the beginning of the financial period	**294,450,145**	**61,524,048**	**213,430,823**	**50,357,997**
Issued during the half-year				
• Ordinary shares issued at 15 cents conversion of loans on 30 September 2011	-	-	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	-	-	32,032,334	4,804,850
• Ordinary share 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 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)
• Ordinary shares issued at zero cents to Intec Limited as consideration to extinguish the Hellyer processing royalty on 9 July 2012[1]	15,000,000	150,000	-	-
Balance at the end of the financial period	**309,450,145**	**61,674,048**	**294,450,145**	**61,524,048**

Non-Cash Financing Activities

[1] On 9 July 2012, the Company announced that it has issued 15,000,000 shares to Intec Limited for no consideration as part of the restructure of the Hellyer Processing Royalty. Under AASB 2: Share Based Payments, the issuing of the ordinary shares have been valued at the fair value of the shares at the date of the issue

6. Cash and Cash Equivalents

Included in cash & cash equivalents is a restricted amount of $nil (2011: $2,900,000) on deposit as credit support for short dated forward sales agreements.

NOTES TO THE FINANCIAL STATEMENTS

7. Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the chief operating decision maker in assessing performance and determining the allocation of resources in accordance with AASB 8: *Operating Segments*.

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; and
- the manufacturing or production processes.

Reportable segments

Tasmanian Operations – Mining

The Tasmanian Operations – Mining segment produces ore from its Tasmanian mining operations.

Tasmanian Operations – Processing

The Tasmanian Operations – Processing segment processes the ore produced by the Tasmanian Operations – Mining segment. It includes the Hellyer Plant and associated infrastructure.

Exploration

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

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

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

Inter-segment transactions

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

Segment assets

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

Segment liabilities

The Group does not report liabilities to the chief operating decision maker that are allocated to the operating segments and consequently has not reported any liabilities in this note.

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:

a. corporate costs;

b. interest revenue and expense;

c. share based payments;

d. derivatives;

e. income tax expense; and

f. deferred tax assets (except for those relating to the closure provision for the Hellyer Plant).

NOTES TO THE FINANCIAL STATEMENTS

7. Operating Segments (cont)

Operating Segments Half year ended 31 December 2012	Tasmanian Operations – Mining	Tasmanian Operations – Processing	Exploration	Total
	$	$	$	$
Revenue				
Sales to external customers	1,573,421	-	-	1,573,421
Final sales adjustment	(4,777,791)	-	-	(4,777,791)
Total segment revenue	**(3,204,370)**	**-**	**-**	**(3,204,370)**
Depreciation and amortisation	-	-	-	-
Reportable segment profit/(loss) before income tax	**(2,887,806)**	**-**	**-**	**(2,887,806)**
Reportable segment assets	**466,850**	**11,000,000**	**3,113,978**	**14,580,828**
Additions to non-current assets:				
Plant and equipment	-	-	-	-
Mine properties	-	-	-	-
Capitalised exploration and evaluation	-	-	63,978	63,978
Reportable segment liabilities	**5,186,496**	**-**	**-**	**5,186,496**

Reconciliation of reportable segment revenues, profit or loss, and assets	31 December 2012
	$
Revenues	
Total revenue for reportable segments	(3,204,370)
Unallocated amounts:	
Other revenue	169,837
Interest revenue	60,433
Other fee	200,000
Gain on sale of fixed assets	38,707
Consolidated revenue	**(2,735,393)**

NOTES TO THE FINANCIAL STATEMENTS

7. Operating Segments (cont)

Profit or loss	**31 December 2012**
Total profit/(loss) before income tax for reportable segments	(2,887,806)
Unallocated amounts:	
Other corporate expenses	(3,012,704)
Share-based payments	(299,080)
Finance costs	(416,963)
Consolidated profit/(loss) before income tax	**(6,616,553)**

Reconciliation of reportable segment assets and liabilities

Assets	
Total assets for reportable segments	14,580,828
Unallocated amounts:	
Cash and cash equivalents	1,146,970
Trade and other receivables	1,030,921
Plant and equipment	317,948
Other assets	66,157
Consolidated total assets	**17,142,824**

Liabilities	
Total liabilities for reportable segments	5,186,496
Unallocated amounts:	
Trade and other payables	21,817
Borrowings	3,800,000
Other Liabilities	151,763
Consolidated total liabilities	**9,160,076**

NOTES TO THE FINANCIAL STATEMENTS

7. Operating Segments (cont)

Operating Segments Half year ended 31 December 2011	Tasmanian Operations – Mining	Tasmanian Operations – Processing	Exploration	Total
	$	$	$	$
Revenue				
Sales to external customers	34,119,181	-	-	34,119,181
Total segment revenue	**34,119,181**	**-**	**-**	**34,119,181**
Reportable segment profit/(loss) before income tax	**(15,956,893)**	**(6,611,961)**	**(2,560,853)**	**(25,129,707)**
Reportable segment assets at 30 June 2012	**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 at 30 June 2012	**5,725,155**	**2,874,920**	**-**	**8,600,075**

Reconciliation of reportable segment revenues and profit or loss	31 December 2012
	$
Revenues	
Total revenue for reportable segments	34,119,181
Unallocated amounts:	
Other revenue	42,505
Interest revenue	94,841
Foreign currency gain/(loss)	(64,340)
Consolidated revenue	**34,192,187**

NOTES TO THE FINANCIAL STATEMENTS

7. Operating Segments (cont)

Profit or loss	**31 December 2011**
	$
Total profit/(loss) before income tax for reportable segments	(25,129,707)
Unallocated amounts:	
Other profit/(loss)	
Other corporate expenses	(1,158,890)
Share-based payments	(4,108,007)
Consolidated profit/(loss) before income tax	**(30,396,604)**

Reconciliation of reportable segment assets and liabilities	**30 June 2012**
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**

(c) Revenue by geographical region

The Group only operates within Australia.

(d) Major customers

The Group had two customers during the period, being Nyrstar Sales & Marketing AG and LN Metals International Limited.

NOTES TO THE FINANCIAL STATEMENTS

8. Contingent Liabilities

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

9. Subsequent Events

On 30 January 2013, the company announced an asset sale transaction that on completion would enable the company to clear its debts and relaunch exploration and undertake new acquisition assessments. The announcement related to a binding Heads of Agreement with Ivy Resources Pty Ltd for the sale of the company's wholly owned subsidiary HMO for a purchase price of $11 million dollars. The completion of the transaction was contingent upon the satisfaction of conditions customary under such an agreement.

On 22 February 2013, RMBAH agreed to a further extension of the Final Repayment Date of its loan facilities to 12 March 2013 in anticipation that FIRB approval for the Ivy transaction would not be advised in time to effect settlement prior to 22 February 2013, the former Final Repayment Date for RMBAH facilities.

On 25 February 2013, the company announced that the above transaction to sell HMO had been successful and settlement and receipt of the final payment was received on 23 February 2013.

On 25 February 2013, the company announced the repayment in full of all secured creditors. In the following week all unsecured creditors were paid out also. All creditors received full repayment of their amounts owing.

There are no other matters or circumstances not otherwise dealt with in the financial report that has significantly affected or may affect the Group.

10. Share Based Payments

	2012 **Number of Options**
Outstanding as at 30 June 2012	185,622,678
Granted during the period	30,200,000
Forfeited and cancelled	(91,655,000)
Exercised	-
Outstanding at 31 December 2012	**124,167,678**

The following options were issued during the half-year:

(a) On 31 August 2012, 15,000,000 unlisted options exercisable at $0.01 each on or before 31 August 2015 were issued to the Group's financier.

Number of options	15,000,000
Fair value at grant date[1]	$0.005
Share price	$0.006
Exercise price	$0.01
Volatility factor	194.0%
Expiry date of the options	31 August 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 2 year Commonwealth Government bond rate*

NOTES TO THE FINANCIAL STATEMENTS

10. Share Based Payments (cont)

(b) On 18 December 2012, 15,200,000 unlisted options exercisable at $0.006 each on or before 18 December 2015 were issued to the Group's financier.

Number of options	15,200,000
Fair value at grant date[1]	$0.0046
Share price	$0.005
Exercise price	$0.006
Volatility factor	207.0%
Expiry date of the options	18 December 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 2 year Commonwealth Government bond rate*

11. Capitalised Exploration and Evaluation Expenditure

	31 Dec 2012 $	30 June 2012 $
The Consolidated Group has mineral exploration costs carried forward in respect of areas of interest currently in the phase of exploration and evaluation:		
Balance at the beginning of the period	**3,050,000**	**16,910,948**
Capitalised expenditure for the period	63,978	2,328,993
Write-off resulting from relinquished tenements	-	-
Transfers to mine properties	-	(6,426,925)
Impairment charge recognised in statement of comprehensive income (Note 1(e))	-	(9,763,016)
Balance at the end of the period	**3,113,978**	**3,050,000**

12. Plant and Equipment

Consolidated	Plant & Equipment Ore Processing $	Plant & Equipment Hellyer Plant Refurbishment $	Plant & Equipment Other $	Leased Plant & Equipment $	Total $
Balance at 1 July 2012	**-**	**-**	**421,077**	**-**	**421,077**
Additions	-	-	-	-	-
Disposals	-	-	(1,750)	-	-
Depreciation expense	-	-	(101,379)	-	-
	-	-	(103,129)	-	(103,129)
Balance at 31 December 2012	**-**	**-**	**317,948**	**-**	**317,948**

NOTES TO THE FINANCIAL STATEMENTS

13. Capital and Leasing Commitments

There has been no significant change to capital and leasing commitments disclosed in the annual report at 30 June 2012.

14. Interest Bearing Loans and Borrowings

	31 December 2012 $	30 June 2012 $
Current		
Lease liability	58,198	119,978
Secured bank loans[1]	3,800,000	5,000,000
	3,858,198	5,119,978
Non-current		
Lease liability	142,494	107,595
	142,494	107,595

(a) Fair Values

The carrying amount of the Group's interest bearing loans and borrowings approximate their fair values

(b) Assets pledged as security

Under the terms and conditions of the secured bank loans, the Group has granted a fixed and floating charge over all of its assets in favour of the financier. The charge remains in effect until the Company has fully discharged its financial indebtedness; including the settlement of outstanding zinc, lead and silver derivative instruments.

(c) Defaults and breaches

For the period ended 31 December 2012 there were no defaults or breaches against any of the Group's interest bearing loans and borrowings.

[1] On 25 February 2013, the company announced that it had paid in full its secured creditors; this included the repayment of the secured bank loan of $3,800,000 to RMB Resources Limited. Refer to Note 9.

15. Derivative Financial Instruments

	31 December 2012 $	30 June 2012 $
Current Assets		
Forward commodity contracts	-	696,787
Current Liabilities		
Forward commodity contracts	-	-

(a) 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. Hedges are carried on a mark to market basis and any movements are taken directly to profit or loss.

During the period all forward commodity contracts were settled resulting in a net loss of $94,412.

DIRECTORS' DECLARATION

In the opinion of the Directors the Consolidated Group:

1. The financial statements and notes set out on pages 9 to 29 are in accordance with the Corporations Act 2001 including:
   (a) giving a true and fair view of the financial position of the Consolidated Group as at 31 December 2011 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
   (b) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.
2. There are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 12th day of March 2013.

Signed in accordance with a resolution of the directors:

M B Rosenstreich
Managing Director

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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 review of Bass Metals Limited for the half-year ended 31 December 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 review; and

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 12 March 2013

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

We have reviewed the accompanying half-year financial report of Bass Metals Limited ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement or description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Bass Metals Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Bass Metals Limited consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Bass Metals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bass Metals Limited is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 12 March 2013