ABN 31 109 933 995

Australia's only graphite producer

Half-Year Report

For the period ended

31 December 2016

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CORPORATE DIRECTORY

DIRECTORS

Mr Richard Stacy Anthon - Non-Executive Chairman
Mr Jeffrey Marvin – Non-Executive Director
Mr Peter Wright – Non-Executive Director

COMPANY SECRETARY

David Round

CHIEF EXECUTIVE OFFICER

Tim McManus

REGISTERED OFFICE

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Mills Oakley
2/225 St Georges Tce
PERTH WA 6000

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 (Code: BSM and BSMO)

DIRECTORS' REPORT

The Directors of Bass Metals Ltd ("the Company" or "Bass") present their Report together with the financial statements of the Consolidated Entity, being Bass Metals Ltd ("the Company" or "Bass"), it's Controlled Entities ("the Group") for the half-year ended 31 December 2016 and the independent auditors report thereon.

Directors

The following persons were Directors of the Company during or since the end of the financial half-year:

Mr Richard Anthon - Non-Executive Chairman
Mr Jeffrey Marvin – Non-Executive Director
Mr Peter Wright – Non-Executive Director

Consolidated Entities

For the half-year ended 31 December 2016 the Company has two subsidiaries, Graphmada Madagascar and Graphmada Mauritius, both acquired on 22 August 2016. During the comparative half year ended 31 December 2015, the Company had no subsidiaries.

REVIEW OF OPERATIONS

Overview

The Group's primary activities during the reporting period were:

- The review and subsequent completion of its acquisition of the operating Graphmada large flake graphite mine, located in eastern Madagascar;
- Implementation of an Operational Optimisation Program for Graphmada , focusing on raising the quality and volume of saleable product, to subsequently deliver a consistently higher-value product;
- Commencement of a substantial drill program at the Company's licenses in Madagascar;
- Extensive ongoing development, training and improvement to site operations;
- Further development and management of its Tasmanian assets, including care and maintenance activities; and
- Implementation of the Company's plans for capital raising and growth.

The full implementation of the Operational Optimisation Program, previously announced, is planned to be completed in the second half of 2017, for a subsequent ramp up in production to nameplate capacity of 6000 tonnes per annum.

The Company is also currently planning an Expansion Project, which includes a drill program that commenced in October 2016, and a range of other tests and independent assessments currently in process. Upon the completion of drilling and the receipt of results and other test work, an assessment will be made on the timing of a proposed second Processing Plant which has the capacity to increase production to greater than 20,000 tonnes per annum.

DIRECTORS' REPORT (continued)

COMMUNITY ENGAGEMENT PROGRAM

Also subsequent to the year-end, Bass, through its subsidiaries implemented a Community Engagement Program called Graphmada Care. The program concentrates on the following principals of action:

- **Employment**: First priority is to hire and train local people, who spend their salaries in the local community.
- **Purchasing**: Prioritise sourcing equipment and supplies from local providers, creating economic advantages to the local community and indirect employment opportunities.
- **Education**: Provided materials and transport for the construction of a new school and initiated a school engagement program, encouraging children to attend with subsidised supplies.
- **Infrastructure**: school, building, road and bridge repair across the region.
- **Health**: Established a Primary Health Centre with a resident doctor and supplies to handle medical emergencies and primary diseases and also provide basic nutritional, health and sanitation training to the community. We have also commissioned water wells to provide quality drinking water for near-by villages.

Corporate Activities

TASMANIAN ASSETS: *QUE RIVER AND HELLYER PROJECTS*

During the reporting period, the Company has continued ongoing discussions with a number of parties about the sale of all or some of its Tasmanian assets. These discussions and negotiations are continuing and the Company shall report further on these discussions when more formal binding arrangements are entered in to.

The Company is considering a number of options in relation to its Tasmanian assets and these include further exploration and development by the Company, potential joint ventures, third party funding or partial or full disposal of some of its assets.

The Company has undertaken a number of initiatives designed to manage and improve the value and standing of its Tasmanian assets. This includes a recently devised program to continue to explore and develop the company's Mt Block exploration tenement.

The Company continues to maintain the assets in good standing through its care and maintenance program utilising local contractors.

DIRECTORS' REPORT (continued)

EQUITY RAISINGS

- On 2 September 2016, the Company successfully completed a placement and rights issue to raise $7,020,338 that resulted in the issue of 585,028,181 ordinary shares at an issue process of $0.012c. A further 60,090,367 shares were issued to shareholders for funds previously loaned to the company. These shares were issued at a price of $0.01c. 13,000,000 shares were issued to consultants to the Company for services provided during 2016.
- As part of the issue of shares on 2 September 2016 as referred to above, 344,847,424 listed options were issued to shareholders. These options have an expiry date of 31 December 2018 and an exercise price of $0.025.

In December 2016, the company successfully completed a capital raising for the amount of $2,275,000 (before costs) with the issue of 175,000,000 ordinary shares issued at an issue price of $0.013c.

REVISED AGREEMENT WITH STRATMIN GLOBAL RESOURCES PLC

As announced to the ASX on 15 December 2016, the Company has entered in to an agreement with the vendor of the Graphmada graphite mine, Stratmin Global Resources Plc, to substantially reduce the Company's future payment obligations. As part of the agreement, future obligation payments of up to A$13,000,000 would be replaced with a series of payments in the short term for up to the amount of A$3,140,000. These revised payments are proposed over the following timeframes:

• A$955,000 on or before 19 December 2016;
• A$1,185,000 on or before 15March 2017; and
• a final payment of A$500,000 on 30 September 2017.

The Company paid the first installment of $955,000 on 19 December 2016.

DIRECTORS' REPORT (continued)

LIONGOLD SETTLEMENT

As announced to the ASX on 18 November 2015, Bass entered into a deed of settlement with LionGold Corp Ltd ("LionGold") in respect of litigation commenced in the Supreme Court of Western Australia following the termination of agreements for the sale of the Company's shares in Hellyer Mill Operations Pty Ltd and a proposed subscription by LionGold for shares in Bass.

At that time, it was agreed that, in full and final settlement LionGold would pay Bass A$2,500,000 (the Settlement Sum) in a series of staged payments commencing 31 December 2015 and ending 30 June 2016.

To date, the company has received A$600,000 in cash from LionGold. In addition, the Company has also received shares worth A$450,000 in A1 Consolidated Gold Ltd (ASX: AYC), an Australian Securities Exchange ("ASX") listed company as part settlement.

On 26 September 2016, the Company executed a deed of settlement and release with Liongold and a company incorporated in Singapore, Global AU Mining Pte Ltd. The deed provides that Bass shall be paid A$1,000,000 cash by Global AU Mining Pte Ltd as full and final settlement of the Company's entitlement to the balance of A$1,450,000 owed by Liongold.

Whilst the Company has yet to receive the funds contemplated in the agreement with Global AU Mining Pte Ltd and LionGold, the Company's management recently met with representatives of these Companies and an agreement was confirmed that should result in the Company receiving $1,000,000 on 8 March 2017. The Company expects to receive these funds but in the event it does not, it intends to instigate action to recover the amount outstanding.

Dividends

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

Result for the Financial Half-Year

The loss from ordinary activities after income tax expense for the Group was $5,163,154 (2015: $2,028,145 profit).

DIRECTORS' REPORT (continued)

Events Subsequent to Reporting Date

On 16 February 2017, the Company's management met with representatives of Lion Gold and Global AU Mining Pte Ltd in relation to funds still owed to the Company as part of its agreement with Liongold. At this meeting an agreement was confirmed that should result in the Company receiving $1,000,000 on 8 March 2017. The Company expects to receive these funds but in the event it does not, it intends to instigate action to recover the amount outstanding.

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 review of the half year report for the period ended 31 December 2016. 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.

RA Anthon
Chairman
Brisbane, Queensland
28 February 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	Note	31 December 2016 $	31 December 2015 $
Sale of concentrate		129,683	-
Cost of sales		(1,681,074)	-
Gross loss		(1,551,391)	-
Other income		325,837	2,512,123
Impairment of Non-Current exploration and evaluation asset held for sale	6	(1,123,164)	-
Impairment of receivable	3	(1,000,000)	-
Administration expenses		(1,660,186)	(411,284)
Finance costs		(5,093)	-
(Loss)/profit before income tax from continuing operations		**(5,013,997)**	2,100,839
Income tax (expense)/benefit		-	-
(Loss)/profit for the period from continuing operations		**(5,013,997)**	2,100,839
Loss after tax from discontinued operations		(149,157)	(72,694)
(Loss)/profit for the period		**(5,163,154)**	2,028,145
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)		-	-
Total comprehensive (Loss)/profit for the period, net of tax		**(5,163,154)**	2,028,145
(Loss)/profit attributed to:			
Continuing operations		(5,013,997)	2,100,839
Discontinued operations		(149,157)	(72,694)
Total comprehensive profit/(loss) attributed to:			
Equity holders of the parent entity		(5,163,154)	2,028,145
Earnings per share			
Basic (loss)/earnings per share from operations (cents)	2	(0.73)	0.53
Diluted (loss)/earnings per share from operations (cents)	2	(0.73)	0.53

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Note	31 December 2016 $	30 June 2016 $
CURRENT ASSETS			
Cash and cash equivalents		3,450,441	167,527
Restricted cash		910,000	-
Trade and other receivables	3	260,557	1,033,092
Prepayments		44,642	
Inventories	4	771,855	-
Financial assets held for sale	5	-	494,961
		5,437,495	1,695,580
Non-Current exploration and evaluation asset held for sale	6	2,080,500	3,897,906
Total CURRENT ASSETS		**7,517,995**	**5,593,486**
NON-CURRENT ASSETS			
Trade and other receivables	3	-	260,480
Plant and equipment	7	2,243,499	20,585
Exploration and evaluation assets		182,252	-
Mine properties	8	5,499,359	-
Financial assets		-	1,060,825
Total Non-Current Assets		**7,925,110**	**1,341,890**
TOTAL ASSETS		**15,443,105**	**6,935,376**
CURRENT LIABILITIES			
Trade and other payables		666,368	376,585
Loan funds		910,000	684,236
Contingent consideration payable	9	1,685,000	-
		3,261,368	1,060,821
Liabilities included in disposal group held for sale	10	-	694,242
Total Current Liabilities		**3,261,368**	**1,755,063**
NON-CURRENT LIABILITIES			
Provisions	11	429,340	-
Total Non-Current Liabilities		**429,340**	**-**
TOTAL LIABILITIES		**3,690,708**	**1,755,063**
NET ASSETS		**11,752,397**	**5,180,313**
EQUITY			
Issued capital	12	74,219,238	62,913,634
Reserves		514,484	84,850
Retained profits		(62,981,325)	(57,818,171)
TOTAL EQUITY		**11,752,397**	**5,180,313**

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 2016

	Issued Capital	Retained Profits/ (Accumulated Losses)	Foreign Currency Translation Reserve	Option Reserve	AFS Financial Asset Reserve	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2015	62,032,247	(58,691,936)	-	78,750	-	3,419,061
Profit for the period	-	2,028,145	-	-	-	2,028,145
Transactions with owners, recorded directly in equity						
Shares issued during the period	250,000	-	-	-	-	250,000
Transfer on expiry of options		1,224,067	-	(1,224,067)	-	-
Balance at 31 December 2015	62,032,248	(58,360,106)	-	78,750	-	3,750,892
Balance at 1 July 2016	**62,913,634**	**(57,818,171)**	**-**	**-**	**84,850**	**5,180,313**
Loss for the period	-	(5,163,154)	-	-	-	(5,163,154)
Other comprehensive income	-	-	24,506	-	-	24,506
Transactions with owners, recorded directly in equity						
Shares issued during the period	10,135,575	-	-	-	-	10,135,575
Share placement to Stratmin - acquisition of Gaphmada	1,800,000	-	-	-	-	1,800,000
Share based payments	-	-	-	489,978	-	489,978
Cost of shares issued for placement	(629,971)	-	-	-	-	(629,971)
Revaluation of equity securities in listed company	-	-	-	-	(84,850)	(84,850)
Balance at 31 December 2016	**74,219,238**	**(62,981,325)**	24,506	489,978	**-**	11,752,397

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 2016

	Note	31 December 2016 $	31 December 2015 $
Cash flows from operating activities			
Receipts from customers		118,348	10,500
Payments to suppliers and employees		(3,428,177)	(379,817)
Settlement Proceeds Received		-	300,000
Net cash used in operating activities		**(3,309,829)**	(69,317)
Cash flows from investing activities			
Proceeds from sale of assets classified as held for sale		731,631	-
Purchase of property, plant and equipment		(528,246)	-
Interest received		3,073	1,623
Acquisition of subsidiaries, net of cash		(2,213,991)	(1,060,825)
Net cash used in investing activities		**(2,007,533)**	(1,059,202)
Cash flows from financing activities			
Proceeds from issue of shares		8,825,849	914,000
Transaction costs on issue of shares		(220,481)	184,236
Proceeds from loan funds		938,520	-
Repayment of loan funds		(28,520)	-
Interest paid		(5,092)	-
Net cash from financing activities		**9,510,276**	1,098,236
Net increase/(decrease) in cash and cash equivalents		**4,192,914**	**(30,283)**
Cash and cash equivalents at the beginning of the period		167,527	117,445
Restricted cash		(910,000)	-
Cash and cash equivalents at the end of the period		**3,450,441**	87,162

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

1. NOTES TO THE FINANCIAL STATEMENTS

(a) Basis of Preparation

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 and are prepared in Australian Dollars (AUD), which is the functional currency of the Parent Company. These general purpose interim financial statements 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 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 2016 and any public announcements made during the half-year by the Group in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the Board of Directors on 28 February 2017.

(b) Significant Accounting Policies

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2016.

The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

(c) Critical Accounting Estimates and Judgements

When preparing this half-year report, Management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

The judgements, estimates and assumptions applied in the half-year report, including key sources of estimation uncertainty were the same as those applied in the Company's last annual financial statements for the year ended 30 June 2016.

(d) Significant Events and Transactions

On the 7 July 2016, the Company announced the appointment of Mr Tim McManus as CEO.

On the 7 July 2016, the Company announced the signing of a formal sale agreement to acquire 100% of the operating Graphmada graphite mine in Madagascar and a capital raising of a 1 for 1 non-renounceable rights issue to raise up to A$5.5 million with up to a further A$1.5 million from an institutional (accelerated) component.

On 13 July 2016, the Company announced to the Australian Securities Exchange ("ASX") the release of a prospectus detailing a fully underwritten non-renounceable pro rata offer to eligible shareholders of 1 New Share for every 1 Existing Share at an issue price of A$0.012 per New Share with 1 free attaching New Option (exercisable at A$0.025 on or before 31 December 2018) for every 2 New Shares issued to raise A$5,520,338 before issue costs. These shares were issued on 2 September 2016.

On the 13 July 2016, the Company announced the successful completion of the institutional (accelerated) component of the non-renounceable rights issue which raised A$1.9 million (before expenses) from eligible shareholders and new investors. These shares were issued on 2 September 2016.

On 22 August 2016 shareholders at the General Meeting held by the Company approved the capital raising announced in July 2016 allowing the Company to proceed with the share and option placements and the acquisition of the Graphmada graphite mine. Included in the resolutions approved at the meeting were resolutions number 10 to 13 which shareholders approved the conversion of $684,236 in loan funds to equity. The loans were converted on 2 September 2016.

On the 22 August 2016, the Company announced that it was taking operational control of the Graphmada graphite mine in eastern Madagascar following approval from the shareholders of Stratmin Global Resources Plc on 29 July 2016 for the sale of the Graphmada graphite mine to the company (see ASX announcement 4 April 2016).

On the 22 August 2016, the Company issued 75 million shares to Stratmin Global Resources Plc under the terms of the share purchase agreement to acquire Graphmada. The fair value of the Bass Metals Ltd shares issued was $1.8 million.

On 2 September 2016, the Company announced the issue of 733,118,548 ordinary shares, 344,847,423 listed options and 23,054,220 unlisted options resulting from the capital raising approved by shareholders at the general meeting held on 22 August 2016.

On 2 September 2016, the Company announced the resignation of Mr D Premraj as a Non-Executive Director and the appointment of Mr P Wright as a Non-Executive Director.

On 9 September 2016, the Company announced the issue of 40,000,000 unlisted options to Mr T McManus, CEO, and 30,000,000 unlisted options to Mr D Round, CFO. These options were issued as part of their remuneration agreement and the options are exercisable on or before 31 December 2020.

Up to and including the end of August 2016, the Company had paid $900,000 to Stratmin Global Resources Plc as part payment of its tranche one requirements. Then, on 19 September 2016, the Company paid $600,000 to Statmin Global Resources Plc and completed all its requirements required required by tranche one of its purchase of Graphmada Mauritius.

On 26 September 2016, the Company executed a deed of settlement and release with Liongold and a company incorporated in Singapore, Global AU Mining Pte Ltd. The deed provides that the Company shall be paid A$1,000,000 cash by Global AU Mining Pte Ltd as full and final settlement of the Company's entitlement to the balance owed by Liongold. As part of this transaction, Global AU Mining Pte Ltd shall receive shares that may be issued by Liongold. Under the terms of this deed, the Company will receive $1,000,000, As at the date of this report, the funds owed to the Company remain outstanding but a recent agreement concluded after the reporting period is intended to result in the Company receiving $1,000,000 on 8 March 2017.

On 15 December, the Company announced an agreement with the vendor of the Graphmada graphite mine, Stratmin Global Resources Plc, for a substantial reduction in the future milestone based payment obligations payable from previously up to A$13 million to now a maximum of A$3.4 million, on a revised accelerated timeframe.

On 15 December, the Company announced a capital raising of up to A$2 million to facilitate this transaction and to allow Bass to continue with its production optimisation plans at Graphmada.

On 22 December, the Company announced to the Australian Securities Exchange ("ASX") the release of a prospectus for the purposes of raising funds from sophisticated investors from the issue of 175 million shares at $0.013 per share to raise $2.275 million before costs. The shares were issued on 29 December 2016.

(e) Business Combination - acquisition

Acquisition of Graphmada

The Company had previously made a strategic investment in December 2015 acquiring 6.25% of Graphmada Mauritius, a private company registered in Mauritius, and its subsidiary Graphmada SARL, a private company registered in Madagascar, (“Graphmada”) purchased from Stratmin Global Resources Plc (“Stratmin”) for $1,060,827 in December 2015. Graphmada is the owner and operator of an operating graphite mine in Madagascar with four large flake premium quality graphite deposits within its permits.

An offer to acquire the remaining equity instruments in Graphmada Mauritius was received by the Company during early 2016. On 4 April 2016, the Company announced it had successfully renegotiated the terms of agreement with Stratmin Global Resources Plc and executed a replacement Term Sheet to acquire the remaining 93.75% of Graphmada Mauritius.

On 22 August 2016, the Company acquired the remaining equity instruments of Graphmada Mauritius, thereby obtaining 100% ownership.

Assets acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Graphmada as at the date of acquisition were:

	Fair value recognised on acquisition $
Assets	
Cash and cash equivalents	21,938
VAT receivable	157,818
Prepayments	10,402
Inventories	442,343
Property, plant and equipment	1,860,130
Mine properties	406,484
	2,899,115
Liabilities	
Trade and other payables	(520,903)
Provision for rehabilitation	(406,484)
	(927,387)
Total of net identifiable net assets at fair value	**1,971,728**
Goodwill arising on acquisition	5,070,019
Purchase consideration transferred	**7,041,747**

Identifiable net assets

The fair value of the VAT receivable acquired as part of the business combination amounted to $157,818. The net book value of VAT receivable in Graphmada at the date of acquisition was $548,431 (being a gross of $837,945 less a provision of $289,514). Whilst the Company expects to receive the book value, it cannot be certain therefore the Company has recognised the VAT receivable at the date of acquisition to be the amount of VAT refund that the Company has received since acquisition of $157,818.

Goodwill

Goodwill of $5,070,019 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of Graphmada’s workforce and expected cost synergies. Goodwill has been allocated to cash-generating units at 31 December 2016 and is classified as Mine Properties in the Statement of Financial Position. The goodwill that arose from this business combination is not expected to be deductible for tax purposes.

Graphmada's contribution to the group results

Graphmada incurred a loss of $1,545,727 for the five (5) months from 22 August 2016 to the reporting date, primarily due to low production while the Company completes the plant optimization program.

	$
Purchase consideration	
Initial amount settled in cash	2,601,747
Shares issued at fair value	1,800,000
Deferred cash payment consideration	2,640,000
Total consideration	7,041,747
Analysis of cash flows on acquisition to date:	
Amount settled in cash for 6.25% previously invested	(1,060,825)
Amount settled in cash for the remaining 93.75% (original Tranche 1)	(1,540,920)
Deferred cash payment consideration instalment (under terms of the deed of amendment)	(955,000)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	21,930
Net cash flow on acquisition to date	(3,534,815)[1]
Remaining cash (deferred) payment consideration payable:	
Due on or before 15 March 2017	(1,185,000)
Due on 30 September 2017	(500,000)
	(1,685,000)
Total cash flow on acquisition	(5,219,815)

Note 1: Includes cash payments in the previous reporting period (June 2016) of $1,320,825.

Consideration transferred

In addition to the cash payment of $1,060,825 for 6.25% of Graphmada paid to the previous owners during December 2015, the consideration payable for the remaining 93.75% that the Company does not already own for all of the Sale Assets was as follows:

(a) Tranche 1:

(i) Tranche 1 Cash Payment of A$1,540,920 – this payment was completed during 2016;

(ii) 75,000,000 Bass Shares (Tranche 1 Shares) – these shares were issued in September 2016. The fair value as at the date of acquisition was A$1,800,000; and

(iii) Net royalty of 2.5% of gross concentrate sales which terminates on 1 January 2029 or upon royalty payments reaching A$5 million, whichever occurs first.

In addition, the Company agreed on three further cash payments to the previous owners which are detailed below.

Deferred cash payment consideration

The original Share Purchase Agreement ("SPA") provided for an additional consideration (Tranche 2 and 3) of $8 million worth of Bass Metals Ltd shares payable to the previous owner only if production of graphite concentrate exceed a target level agreed by both parties. Under the terms of the deed of amendment to the SPA, announced to the ASX on 15 December 2016, Bass and Stratmin now have agreed that Bass's obligation to issue $8 million worth of shares shall be waived upon the payment of A$2,640,000 to Stratmin over the following timeframe:

- A$955,000 on or before 19 December 2016 – this payment was completed on 19 December 2016;
- A$1,185,000 on or before 15 March 2017; and
- A final payment of A$500,000 on 30 September 2017.

Additionally Bass has secured an option to buy back its up to A$5 million royalty obligation for the sum of A$500,000 with the option to be exercised by 31 December 2017, with no royalty payments to be made before this date.

(f) Segment Information

Management currently identifies the Group's two service lines as its operating segments. These operating segments are monitored by the Group's chief operating decision maker and strategic decisions are made on the basis of adjusted segment operating results.

Segment information for the reporting period is as follows:

Six months to 31 December 2016	Graphite Mining 2016 $	Corporate 2016 $	Total 2016 $
Revenue			
External customers	-	129,683	129,683
Interest income	-	3,073	3,073
Other revenue[1]	1,244	321,520	322,764
Inter- segment	139,195	(139,195)	-
Segment revenues	**130,927**	**324,593**	**455,520**
Segment operating profit/(loss)	(1,545,727)	(3,468,270)	(5,013,997)
Segment assets	3,904,295	4,388,291	8,292,586

Note 1: Corporate segment revenue consists of gain on the sale of listed shares of $321,520

No segment liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker.

Segment disclosure for the prior period

During the prior period, the Company operated in one segment being Exploration and Evaluation of Minerals in Tasmania, Australia. Thus, segmented disclosures are not required nor will any disaggregated level of revenue or expenditure be informative. In addition, no segment assets or liabilities are disclosed because there is no measure of segment liabilities regularly reported to the chief operating decision maker.

The Company's 6.25% investment in Graphmada does not give the Company significant influence and therefore the investment is not accounted for using the equity method nor were separate financial reports from Graphmada reviewed by the Board of Directors during the period.

The total presented for the Group's operating segments reconcile to the key financial figures as presented in its financial statements as follows:

Six months to 31 December 2016	2016 $
Loss	
Total reportable segment operating loss	(5,013,997)
Discontinued operations	(149,157)
Loss for the period	(5,163,154)
Assets	
Total reportable segment assets	8,292,586
Non-current exploration and evaluation asset held for sale	2,080,500
Mine properties – development asset (Note 1e)	5,070,019
Group assets	**15,443,105**

The Group's revenues from external customers and its non-current assets are divided into the following geographical areas:

Six months to 31 December 2016	Revenue 2016 $	Non-current assets 2016 $
Madagascar	-	2,525,047
Mauritius	-	315,506
Australia	-	14,538
USA	129,683	-
Total	**129,683**	**2,855,091**

Revenues from external customers in the Group's domicile, Australia, as well as its major markets have been identified on the basis of the customer's geographical location. Non-current assets are allocated based on their physical location. The above table does not include discontinued operations (disposal groups), for which revenue and assets can be attributed to Australia and does not include mine properties – development asset of $5,070,019, refer Note 1(e), which can be attributed to Madagascar.

During 2016, $129,683 or 100% of the Group's revenues depended on a single customer in the graphite mining segment.

(g) Going Concern

The interim financial report for the half year ended 31 December 2016 has 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 period, the entity achieved a loss after tax of $5,163,154 (2015 profit: $2,028,145). Net cash operating cash outflows were $3,309,829 (2015 outflow: $69,317).

The ability of the consolidated entity to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the company to raise sufficient additional capital in the future;
- the successful sale of its consolidated entity's tenements in Tasmania;
- its ability to achieve a financial return from its investment in Graphmada Mauritius; and
- recoverability of its settlement agreement with LionGold.

These conditions give rise to material uncertainty over the entity's ability to continue as a going concern.

The Directors will continue to monitor the capital requirements of the Company on a go forward basis and will include additional capital raisings in future periods as required.

The Directors recognise that the above factors represent a material uncertainty as to 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. Earnings Per Share

(Basic and diluted Earnings Per Share)	**31 December 2016 $**	**31 December 2015 $**
Profit/(loss) for the period	(5,163,154)	2,028,145
Weighted average number of ordinary shares used in the calculation of basic earnings per share	704,401,030	385,467,284
Basic and diluted (loss)/profit per share (cents)	**(0.73)**	**0.53**

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.

3. Trade and Other Receivables

	31 December 2016	30 June 2016
	$	$
Current		
Settlement proceeds[1]	-	1,000,000
Trade receivables	21,120	-
VAT receivable	107,826	-
Other receivables	131,611	33,092
	260,557	**1,033,092**
Non-current		
Loan to related company - Stratmin Global[2]	-	260,000
Other security deposits	-	480
	-	**260,480**

Note 1: As at the reporting date the Company had not received the final funds of $1,000,000 due to it as part of its agreement with Liongold and Global Mining AU Pte Lte. As a result and in order to comply with applicable Accounting Standards, the Company is required to impair this amount outstanding due to the uncertainty of its recoverability. Despite this and subsequent to the reporting period the Company has engaged with Liongold and Global AU Mining Pte Ltd and has reached an agreement to receive the $1,000,000 outstanding on 8 March 2017.

Note 2: During the prior period, a loan of $A260,000 was provided to Stratmin Global Resources Plc for the purposes of working capital for their operating Graphmada Graphite mine subsidiary in Madagascar which the Company was in the process of acquiring a 100% interest. During the current period, the acquisition was completed for the purchase of the operating Graphite mine in Madagascar and the amount receivable was deducted from the Tranche 1 payment under the formal sale agreement with Stratmin Global Resources Plc.

4. Inventories

	31 December 2016	30 June 2016
	$	$
At cost:		
Equipment spares and consumables	482,366	-
Ore stockpiles	7,952	-
Graphite in circuit	43,663	-
Graphite concentrate	237,874	-
	771,855	-

5. Financial assets held available for sale

	31 December 2016	30 June 2016
	$	$
Listed equity securities - Shares in A1 Consolidated Gold Ltd:		
Balance at the beginning of the period	494,961	
Received in lieu of cash on part settlement of LionGold	-	450,000
Shares disposed	(410,111)[2]	(39,889)
Re-measurement recognised in other comprehensive income	(84,850)	84,850
Balance at the end of the period	-	494,961[1]

Note 1: During the prior period, the Company received 25,862,069 shares in A1 Consolidated Gold Ltd (ASX: AYC) valued at the date of issue at $0.0174 per share totalling $450,000 in lieu of cash as part settlement of the amount receivable from LionGold. As at 30 June 2016 the Company had sold 2,292,500 shares at an average sale price of $0.0221 each which realised a gain on sale of $10,902.

Note 2: During the current period, the remaining shares held in A1 Consolidated Gold Ltd were sold and the Company realised a gain on sale of $321,520.

6. Non-Current exploration and evaluation asset held for sale

As the company has sought to realise the value of its Tasmanian capitalised exploration and expense through the sale of these assets, the total carrying value of capitalised exploration as well as the related infrastructure guarantees and tenement security deposits have been recognised as *capitalised exploration and evaluation assets held for sale.* Consequently, Australian Accounting Standards require that these amounts shall be classified in the Statement of Financial Position as a Current Asset.

Current market conditions and feedback from potential purchasers for the Tasmanian assets have identified that the Company will likely realise a sale value which will be lower than the carrying value for these assets. As the Australian Accounting Standard require the Company to recognise these assets at the lower of cost or fair value, the Company has determined that their current fair value is $2,080,500 and therefore recognised an impairment expense of $1,134,164. As at the date of signing this report, there exists material uncertainty regarding the full recovery of the capitalised value of exploration and evaluation assets held for sale.

	31 December 2016	30 June 2016
	$	$
Capitalised exploration and evaluation asset transferred from Capitalised exploration and evaluation expense	3,217,406	3,217,406
Hellyer operating infrastructure guarantees transferred from non-current receivables[1]	500,000	500,000
Tenement security deposits transferred from non-current receivables[1]	170,500	170,500
Operating lease bonds transferred from non-current receivables[1]	10,000	10,000
	3,897,906	**3,897,906**
Impairment expense	(1,123,164)	-
Transfer of liabilities Included in Disposal Group Held for Sale, refer Note 10.	(694,242)	-
	2,080,500	**3,897,906**

Note 1: Tenement security deposits and Hellyer operating infrastructure guarantees are held in fixed term deposits relating to the Que River project.

7. Plant & Equipment

Details of the Group's property, plant and equipment and their carrying amount are as follows:

	Plant & equipment $	Motor Vehicles $	Capital work in progress $	Roads $	Total $
Gross carrying amount					
Balance 1 July 2016	111,461	50,563	-	-	162,024
Additions	107,819	7,477	412,950	-	528,246
Acquisition through business combination	1,806,315	500,680	80,995	147,190	2,535,180
Reclassification at cost to inventory	-	-	(7,765)	-	(7,765)
Reclassification at cost	75,025	-	(75,025)	-	-
Disposal	(37,243)	-	-	-	(37,243)
Balance 31 December 2016	2,063,377	558,720	411,155	147,190	3,180,442
Depreciation and impairment					
Balance 1 July 2016	(94,189)	(47,250)	-	-	(141,439)
Acquisition through business combination	(359,271)	(277,228)	-	(38,551)	(675,050)
Depreciation	(80,104)	(34,825)	-	(7,146)	(122,075)
Disposal	1,621	-	-	-	1,621
Balance 31 December 2016	(531,943)	(359,303)	-	(45,697)	(936,943)
Carrying amount 31 December 2016	**1,531,434**	**199,417**	**411,155**	**101,493**	**2,243,499**

All depreciation and impairment charges are included within depreciation, amortisation and impairment of non-financial assets. There was no impairment losses recognised during the current or prior reporting periods.

The Group has a contractual commitment of $265,000 to acquire drying plant currently on order which will be payable in 2017 upon delivery. There were no other material contractual commitments to acquire property, plant and equipment at 30 June 2016 (2015: None).

Property, plant and equipment pledged as security for liabilities

There is no fixed and floating charge over any of the assets in the Company.

8. Mine Properties

	31 December 2016 $	30 June 2016 $
Development asset[1]	5,070,019	-
Rehabilitation asset - Madagascar	429,340	-
	5,499,359	-

Note 1: Refer to Note 1(e) Business Combination - acquisition

9. Contingent Consideration Payable

	31 December 2016 $	30 June 2016 $
Acquisition of Graphmada -deferred cash payment consideration payable	**1,685,000**	-

Refer to Note 1(e)

10. Liabilities Included in Disposal Group Held for Sale

As the company has sought to realise the value of capitalised exploration and expense through the sale of these assets the company has also recognised liabilities relevant to the potential sale of the capitalised exploration assets.

	31 December 2016 $	30 June 2016 $
Mine closure rehabilitation provision		
Balance at the beginning of the period	694,242	694,242
Transfer of provision to Non Current Assets held for sale	(694,242)	-
	-	694,242

11. Provisions

	31 December 2016 $	30 June 2016 $
Non-Current		
Provision for rehabilitation - Madagascar	**429,340**	-

12. Issued Capital

	31 December 2016 $	30 June 2016 $
1,368,146,729 (30 June 2016: 460,028,181) fully paid ordinary shares	**74,219,238**	62,913,634

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company 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 15 for information relating to the Company employee option plan, including details of options issued, exercised and lapsed during the period.

13. Capital and Leasing Commitments

Operating Lease Commitments
The Company has no operating lease commitments at reporting date.

Exploration Commitments
The Company has minimum exploration commitments totalling $300,000 for the next financial reporting period.

14. Contingencies

Contingent Liabilities

As the Company has sought to realise the value of capitalised exploration and expense through the sale of these assets, the company has also recognised liabilities relevant to the potential sale of the capitalised exploration assets.

The value of mine closure rehabilitation provision is an assessment of the potential rehabilitation costs the Company may incur in the future. There exists some risk that the actual costs, when and if incurred, will be higher than the provision recognised.

Contingent Assets

As the Company has sought to realise the value of capitalised exploration and expense through the sale of these assets, the total value is now recognised as capitalised exploration and evaluation assets held for sale. As at the date of signing this report, there exists material uncertainty regarding the full recovery of the capitalised value of exploration and evaluation assets held for sale.

There exists some uncertainty that the full value of the remaining $1 million in settlement proceeds owed to the Company by LionGold shall be fully recovered.

15. Share-based Payments

The following share-based payment arrangements existed at 31 December 2016.

(i) Bass Metals Ltd Employee Share and Option Plan (ESOP)

	31 December 2016		30 June 2016	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the period	-	-	-	-
Granted	70,000,000	0.062	-	-
Forfeited and cancelled	-	-	-	-
Exercised	-	-	-	-
Outstanding at the end of the period	70,000,000	0.062	-	-
Exercisable at the end of the period	**70,000,000**	**0.062**	-	-

(ii) Total Company Listed Options

	31 December 2016		30 June 2016	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the period	-	-	-	-
Granted	344,847,423	0.025	-	-
Forfeited and cancelled	-	-	-	-
Exercised	-	-	-	-
Outstanding at the end of the period	344,847,423	0.025	-	-
Exercisable at the end of the period	**344,847,423**[1]	**0.025**	-	-

Note 1: Total Company listed options outstanding at the end of the period represents 326,683,805 options issued under placement to investors, 18,163,618 options issued to Directors

(iii) Total Company Unlisted Options

	31 December 2016		30 June 2016	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the period	33,330,000	0.015	15,000,000	0.013
Granted	93,054,220	0.053	33,330,000	0.015
Forfeited and cancelled	-	-	(15,000,00)	(0.013)
Exercised	-	-	-	-
Outstanding at the end of the period	126,384,220	0.043	33,330,000	0.015
Exercisable at the end of the period	**126,384,220**[1]	**0.043**	**33,330,000**	**0.015**

Note 1: Total Company unlisted options outstanding at the end of the period represents 44,384,220 options issued under placement to investors, 12,000,000 options issued to Directors and 70,000,000 ESOP options.

16. Events Subsequent To Reporting Date

On 16 February 2017, the Company's management met with representatives of LionGold and Global AU Mining Pte Ltd in relation to funds still owed to the Company as part of its agreement with LionGold. At this meeting an agreement was confirmed that should result in the Company receiving $1,000,000 on 8 March 2017. The Company expects to receive these funds but in the event it does not, it intends to instigate action to recover the amount outstanding.

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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 (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and 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 2016 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.

Grant Thornton

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 2016 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*.

Material Uncertainty Related to Going Concern

Without qualification to the conclusion expressed above, we draw attention to Note 1 to the financial report that highlights the consolidated entity reported a net loss of $5,163,154 and operating cash outflows of $3,309,829 for the half year ended 31 December 2016. These conditions, along with other matters as set forth in Note 1(g), 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.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 28 February 2017

Grant Thornton

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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 2016, 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 AUDIT PTY LTD
Chartered Accountants

M J Hillgrove
Partner - Audit & Assurance

Perth, 28 February 2017

DIRECTORS DECLARATION

1. In the opinion of the Directors of Bass Metals Limited ("Company"):

   a. The consolidated financial statements and notes of Bass Metals Limited are in accordance with the Corporations Act 2001, including:

      i. Giving a true and fair view of its financial position as at 31 December 2016 and of its performance, for the half-year ended on that date; and

      ii. Complying with Australian Accounting Standard AASB134 Interim Financial Reporting; and

   b. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

RA Anthon
Chairman

Brisbane, Queensland
28 February 2017

DISCLAIMER AND CAUTIONARY STATEMENTS

Disclaimer

This document has been prepared by Bass Metals Limited (the "Company"). It should not be considered as an invitation or offer to subscribe for or purchase any securities in the Company or as an inducement to make an invitation or offer with respect to those securities. No agreement to subscribe for securities in the Company will be entered into on the basis of this document. This document is provided on the basis that neither the Company nor its officers, shareholders, related bodies corporate, partners, affiliates, employees, representatives and advisers make any representation or warranty (express or implied) as to the accuracy, reliability, relevance or completeness of the material contained in the document and nothing contained in the document is, or may be relied upon as a promise, representation or warranty, whether as to the past or the future. The Company hereby excludes all warranties that can be excluded by law.

The document may contain forward-looking information and prospective financial material, which is predictive in nature and may be affected by inaccurate assumptions or by known or unknown risks and uncertainties, and may differ materially from results ultimately achieved. All references to future production, production targets and resource targets and infrastructure access are subject to the completion of all necessary feasibility studies, permitting, construction, financing arrangements and infrastructure-related agreements. Where such a reference is made, it should be read subject to this paragraph and in conjunction with further information about the Mineral Resources and Exploration Results, as well as the Competent Persons' statements. All persons should consider seeking appropriate professional advice in reviewing the document and all other information with respect to the Company and evaluating the business, financial performance and operations of the Company. Neither the provision of the document nor any information contained in the document or subsequently communicated to any person in connection with the document is, or should be taken as, constituting the giving of investment advice to any person.

Forward-looking statements

This document may contain certain forward-looking statements. Such statements are only predictions, based on certain assumptions and involve known and unknown risks, uncertainties and other factors, many of which are beyond the Company's control. Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement. The inclusion of such statements should not be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions or that any forward looking statements will be or are likely to be fulfilled. The Company undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this document (subject to securities exchange disclosure requirements). The information in this document does not take into account the objectives, financial situation or particular needs of any person. Nothing contained in this document constitutes investment, legal, tax or other advice.

Competent Persons Statement

The information in this report that relates to Mineral Resource estimates is based on information reviewed by Tim McManus who is a Member of the Australasian Institute of Mining and Metallurgy. Mr McManus has sufficient experience which is relevant to the style of mineralisation and type of deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)". Mr McManus consents to the inclusion in the report of the matters based on this information in the form and context in which it appears."