

BASS METALS LTD

ABN 31 109 933 995

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT
AND
PROXY FORM**

**For the General Meeting to be held on
Thursday, 10 August 2006
at 10:00am (Perth Time)
at The Celtic Club
48 Ord Street, West Perth, WA 6007
Western Australia**

This is an important document. Please read it carefully.

***If you are unable to attend the General Meeting, please complete the form of proxy enclosed
and return it in accordance with the instructions set out on that form.***

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The General Meeting of the Shareholders of Bass Metals Ltd will be held at:

**The Celtic Club
48 Ord Street, West Perth
Western Australia**

**Commencing at
10.00 am (Perth Time)
on Thursday, 10 August 2006**

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 10.00 am.

Voting by Proxy

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

- send the proxy by facsimile to the Company on facsimile number (08) 9481 2846 (International: + 61 8 9481 2846); or
- deliver the proxy form to the registered office of the Company at Suite 5, 2 Richardson Street, West Perth, Western Australia,

so that it is received not later than 10.00 am on 8 August 2006.

Your proxy form is enclosed.

**BASS METALS LTD
ABN 31 109 933 995**

NOTICE OF GENERAL MEETING

Notice is given that a General Meeting of Shareholders Bass Metals Ltd (**Company**) will be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 10.00 am (Perth Time) on 10 August 2006.

AGENDA

BUSINESS

Resolution 1 – Approval to renew the Company's 15% placement capacity following agreement to issue 5,400,000 Shares pursuant to the Saracen Sale and Purchase Agreement

To consider and if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited ("ASX") and for all other purposes, approval is given for the Company to be authorised to renew the Company's 15% capacity following the Company contractually committing itself on 5 July 2006 to issue to Saracen Mineral Holdings Limited (SAR) 5,400,000 Shares on terms and conditions set out in the Explanatory Statement accompanying this Notice to persons who are not related parties of the Company."

Short Explanation: The Company has entered into a Sale and Purchase Agreement to acquire a 100% interest in three Exploration Licences in Tasmania with Saracen Metals Pty Ltd ("SM"), a 100% subsidiary company of SAR. This agreement requires your Company to issue a total of 6,400,000 fully paid ordinary shares ("Consideration Shares") and pay \$300,000 as consideration for the acquisition. On 5 July 2006 the Company contractually committed itself to the issue of 5,400,000 of the total Consideration Shares available under its 15% capacity. This resolution seeks ratification of this contractual commitment to issue 5,400,000 Shares and therefore renew the Company's 15% capacity under Listing Rule 7.1.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associate of any such person.

Resolution 2 - Approval of Issue and Allotment of 1,000,000 Shares - pursuant to the Saracen Sale and Purchase Agreement

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX and for all other purposes, approval is given for the Company to be authorised to issue to SAR up to 1,000,000 Shares on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: This issue of a further 1,000,000 shares completes the Consideration Shares forming part of the consideration payable to SAR under the Sale and Purchase Agreement. If approval is not forthcoming the Company will be liable for a cash payment of \$200,000 in lieu of this share issue.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the

capacity of a holder of ordinary securities, if the resolution is passed and any associate of any such person.

Resolution 3 – Ratification of Allotment and Issue of Shares and Options pursuant to an Exploration Alliance Agreement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of Listing Rule 7.4 of the Listing Rules of the ASX and for all other purposes, the Company approves and ratifies the allotment and issue of 450,000 Shares and 150,000 options issued on terms and conditions set out in the Explanatory Statement accompanying this Notice to persons who are not related parties of the Company."

Short Explanation: Approval is sought under Listing Rule 7.4 to allow the Company to ratify the issue and allotment of these securities. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by a person who participated in the issues and any associates of those persons.

Resolution 4 - Approval of Issue and Allotment of Shares - Placement

To consider and, if thought fit, to pass with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 7.1 of the Listing Rules of ASX and for all other purposes, approval is given for the Company to be authorised to issue and allot up to 20,000,000 Shares on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Approval is sought under Listing Rule 7.1 to authorise the Company to issue these securities. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any person who may participate in the proposed issue and any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed and any associate of any such person.

Resolution 5 – Increase in directors' fees

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Listing Rule 10.17 of the Listing Rules of ASX and for all other purposes, approval is given for the Company to be authorised to increase the aggregate amount of directors fees from \$100,000 to \$250,000."

Short Explanation: Approval is sought under Listing Rule 10.17 to authorise the Company to increase directors' fees. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast on this resolution by any director of the Company and any associate of a director.

By Order of the Board

Tony Walsh

Company Secretary

7 July 2006

NOTES

1. A shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the shareholder's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a shareholder of the Company.
2. In accordance with Regulation 7.11.37 of the Corporations Regulations, the Directors have set a snapshot date to determine the identity of those entitled to attend and vote at the Meeting. The snapshot date is close of business on 8 August 2006.
3. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the proxy instructions on that form.
4. Terms used in this Notice have the meanings set out in Section 5 of the Explanatory Statement.
5. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

EXPLANATORY STATEMENT

The Explanatory Statement which accompanies and forms part of this Notice, describes the ordinary and special business to be considered at the Meeting. The Explanatory Statement is an important document and should be read carefully in full by all Shareholders.

If you have any questions regarding the matters set out in this Explanatory Statement or the preceding Notice, please contact the Company, your stockbroker or other professional adviser.

1. GENERAL INFORMATION

This Explanatory Statement has been prepared for the Shareholders in connection with the General Meeting of the Company to be held on 10 August 2006. The purpose of the Meeting is to seek Shareholder approval to renew the Company 15% capacity under Listing Rule 7.1, to issue the second tranche of Shares under the Sale and Purchase Agreement, a placement and an increase in directors' fees. Details of the Sale and Purchase Agreement are set out below.

The purpose of this Explanatory Statement is to provide Shareholders with information that the Board believes to be material to Shareholders in deciding whether or not to approve the resolutions detailed in the Notice.

On 5 July 2006, the Company announced that it had signed a Sale and Purchase Agreement with SAR, a company listed on the ASX, and its wholly owned subsidiary SM whereby Bass Metals will acquire a 100% interest in SM's three, 100% owned Tasmanian Exploration Licences through the issue of 6.4 million ordinary Shares and payment to SM of \$300,000.

The Company is seeking to raise capital through the issue of up to 20 million Shares to fund working capital and finance the Company's exploration programme on its Tasmanian exploration projects.

2. SARACEN SALE AND PURCHASE – TASMANIAN EXPLORATION LICENCES

SM controls three Exploration Licences located immediately to the south of Bass Metals' Hellyer Project in NW Tasmania. The following section provides a geological outline of the SM Exploration Licences and highlights some of the targets which support the Company's view on the high prospectivity rating for this ground position.

2.1 Tenement Details

SM currently holds three co-joined Exploration Licences covering an aggregate area of 138 km² in north western Tasmania. Tenement details are provided in Table 1 below.

Table 1: SM Tenement Schedule

Tenement No.	Grant Date	Expiry Date	Area (km ²)
EL 47/2003	18 June 2004	11 June 2009	71
EL 48/2003	18 June 2004	11 June 2009	65
EL 55/2004	28 April 2005	28 April 2010	2

The tenements are interconnected and abut Bass Metals existing tenement interests to the north (Hellyer), to the west (Rosebery) and to the south (Selina), as illustrated in Figure 1.

2.2 Geological Context

Bass Metals' tenement acquisition strategy is focused on the Mt Read Volcanic belt (MRV) of Western Tasmania, a richly mineralised sequence of predominantly volcanic rocks of Cambrian age.

The MRV hosts several significant mineral deposits, including:

- **Mt Lyell** - 1.4 million tonnes ("Mt") of contained copper ("Cu") and 1.6 million ounces ("Moz") of contained gold ("Au");
- **Rosebery** - 4.6 Mt of contained zinc ("Zn"), 1.3 Mt of contained lead ("Pb"), 152 Moz of contained silver ("Ag") and 2.4 Moz of contained Au;
- **Que River** - 0.4 Mt of contained Zn, 0.2 Mt of contained Pb, 0.4 Moz of contained Au and 21 Moz of contained Ag;
- **Hellyer** - 2.3 Mt of contained Zn, 1.2 Mt of contained Pb, 1.4 Moz of contained Au and 91 Moz of contained Ag; and,
- **Henty** - 1.1 Moz Au.
(refer Table 2 below for metal endowment details)

The MRV also hosts many historic base metal mines, such as the **Farrell-Murchison group of Pb/Zn/Ag mines** located on the SM tenements, the **Oceana Pb/Ag mine** and several other Pb/Zn/Ag vein deposits in the Zeehan area including the **Oonah, Montana and Zeehan Western Pb/Zn/Ag lodes**, located on Bass Metals' Oonah tenement.

Deposits in Western Tasmania are generally classified as either volcanic hosted massive sulphide deposits (VHMS) such as Hellyer, Rosebery and Que River or as Intrusive related deposits (IRD) related to felsic intrusives, such as Henty and Renison. Table 2 tabulates the metal endowment of these deposits. It is worth noting that Rosebery, Henty, Hellyer, Hercules and Que River all lie within and in close proximity to Bass Metals' newly consolidated tenement area.

Table 2: Local Metal Endowment - notable deposits

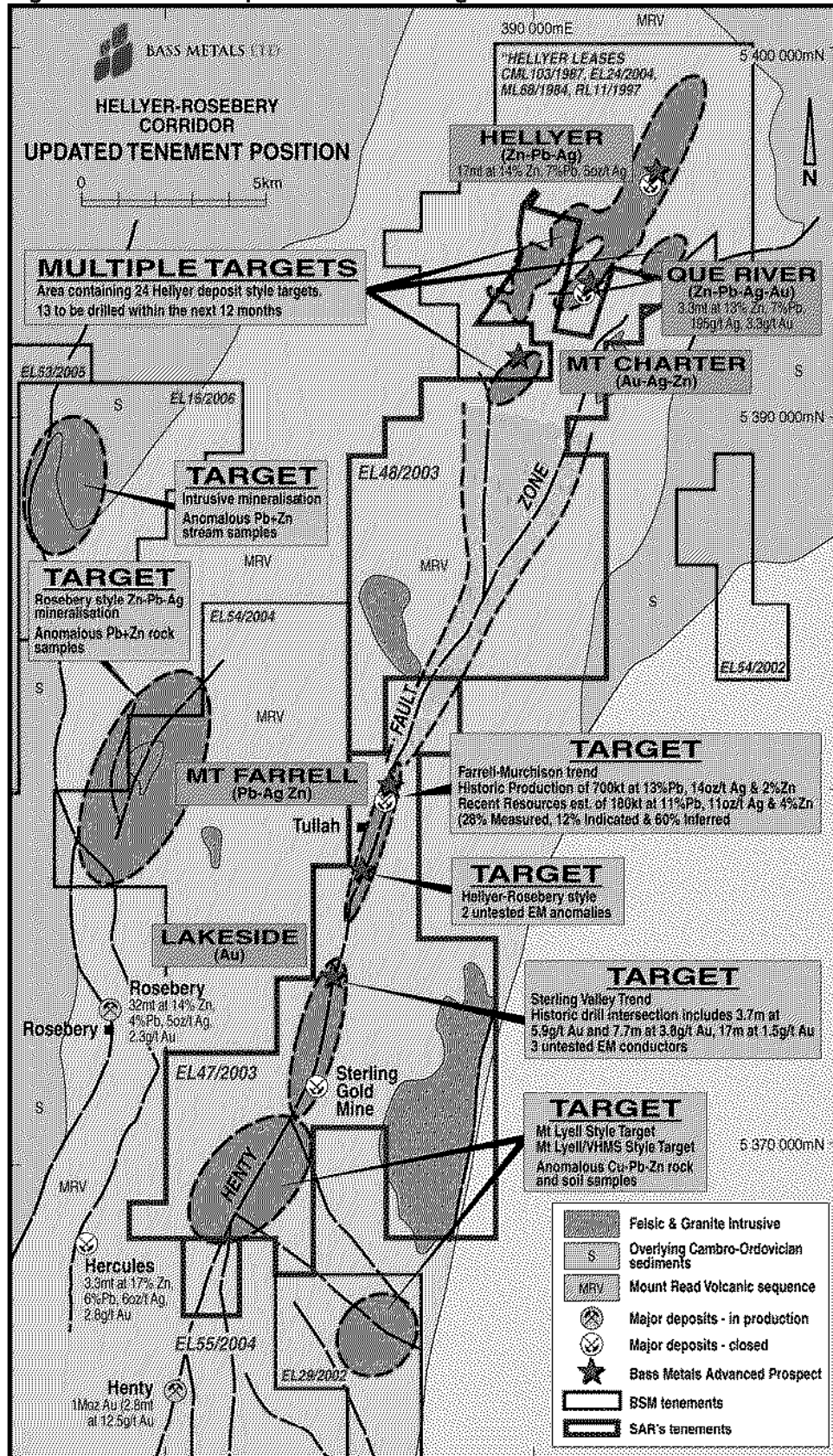
VHMS Style Deposits						
	Mt	Cu%	Pb%	Zn%	Ag g/t	Au g/t
Rosebery	32	0.6	4.0	14.4	148	2.3
Hellyer	16.9	0.4	7.2	13.8	167	2.5
Hercules	3.3	0.4	5.5	17	171	2.8
Que River	3.3	0.7	7.4	13.3	195	3.3
Mt Lyell	311	1.0	-	-	-	0.3
IRD Style Deposits						
	Mt	Sn%	Ni%	Au g/t		
Henty	2.8			12.5		
Renison	31.1	1.4				
Mt Bischoff	10.5	1.1				
Avebury	7.5		1.3			

**data from the Mineral Resources Tasmania online database*

The addition of the SM tenements to Bass Metals' extensive MRV tenement portfolio establishes continuity of a highly prospective mineralised geologic terrain including another 25 km strike length of the Henty Fault zone.

The Henty Fault zone is the dominant element in respect of localisation of mineralisation within the tenements. It, like the Rosebery Fault further to the west, is a major regional structure. The Henty and Rosebery Fault zones have a strong spatial relationship to mineral deposits, historic mines and mineral occurrences throughout the central sector of the MRV. They are considered branching networks of faults and shears, closely associated with the base metal and gold mineralisation of the region.

Figure 1: Location Map of SM and existing Bass Metals Tenements



2.3 Exploration Targets

Bass Metals has identified 3 tiers of exploration opportunities associated with the tenements being acquired:

1. Advanced drill targets comprising:
 - **Mt Farrell-Murchison line** which has had significant historic Pb-Ag production but limited subsequent exploration away from the known shoot positions. *The Mt Farrell target has potential to generate new ore shoots of similar style to those mined previously which could support a small scale, high grade underground mine.*
 - **Sterling Valley prospects** – with known Au-As-Cu mineralisation but also Au only mineralisation which requires further follow-up. *The objective at Sterling Valley is to delineate a high grade Henty style gold deposit in structures associated with the Henty Fault zone.*
2. Defined Drill targets generated by the geological modelling work completed in collaboration with Geoinformatics Exploration Inc. and Zinifex Limited. These specific targets occur within a broad prospective zone on the northern margins of EL48/2003 and include 4 of the highly ranked targets Bass Metals plans to drill test.
3. Emerging drill targets – based on structure, anomalous geochemistry and geophysics particularly associated with the Henty Fault zone “host” to the 1Moz Henty gold deposit immediately south of the southern boundary of SM EL55/2004. There are several target positions prospective for Hellyer, Mt Lyell and Henty style mineralisation within the tenements.

2.3.1 Advanced Drill Targets

Mt Farrell

This was a significant Pb-Ag mine with historic production of approximately 700,000 tonnes at 13% Pb and 14oz/t Ag (*Refer Figure 2*). Mineralisation is structurally controlled lode and vein style, spatially associated with and regarded as trending parallel to the Henty Fault zone, and hosted within shales and fine grained sediments.

SAR recently reported (June 2005 Quarterly Report) a Mineral Resource estimate to ASX of 180,000 tonnes at 11% Pb and 11oz/t Ag and 4% Zn classified as comprising 28% Measured, 12% Indicated and 60% Inferred.

Bass Metals will focus its initial exploration efforts on testing the entire 2km strike extent of the Farrell-Murchison structure which is demonstrably well mineralised but poorly drilled along its extent. Methodical data compilation, structural and geochemical modelling will be utilised to generate drill targets prospective for extensions to existing resource blocks and to identify new resource areas.

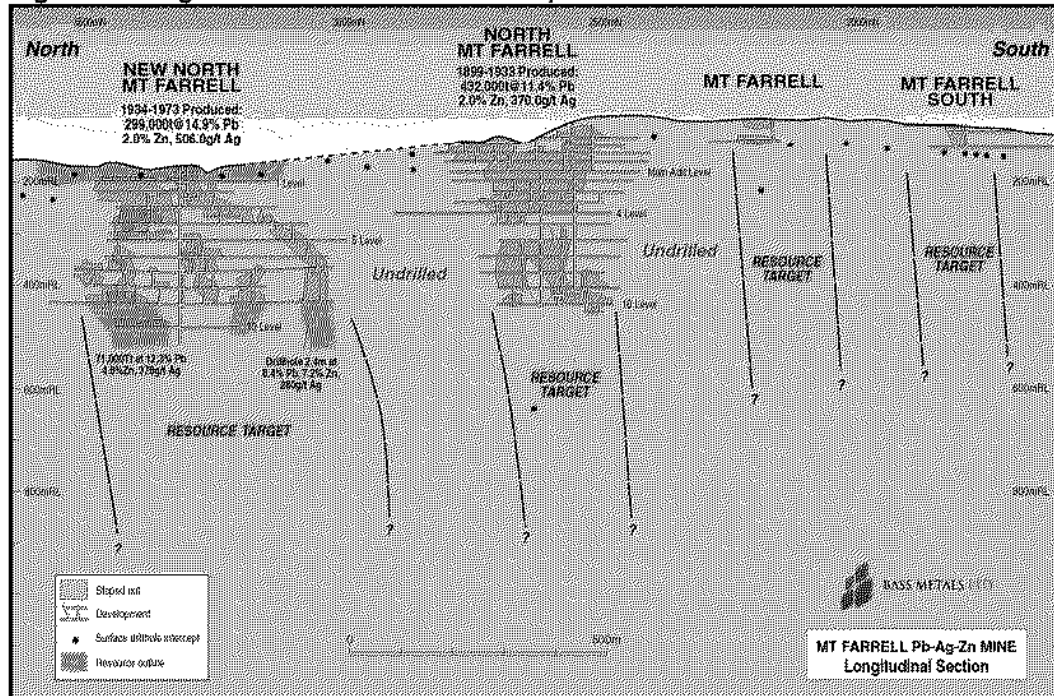
Sterling Valley

Gold mineralisation has been intersected in drill holes beneath glacial cover in the Sterling valley adjacent to the Henty Fault. The Sterling Valley Trend starts at the Lakeside gold prospect to the north and extends for approximately 4km to the south and includes the Sterling Gold mine (no production records) and several drill indicated zones of gold-arsenic-copper mineralisation. Better historic drill intercepts include:

- ✓ 7.7m at 3.8 g/t Au
- ✓ 3.7m at 5.9 g/t Au
- ✓ 17m at 1.5 g/t Au

The 1 million ounce Henty gold deposit lies approximately 5km south along the same Henty fault trend, associated with similar rocks and alteration styles to the Sterling Valley trend. *Bass Metals considers this area to be prospective for Henty type gold systems.*

Figure 2: Long Section of Farrell Mine complex



2.3.2 Defined Drill Targets

Defined drill targets were generated by the geological modelling work completed in collaboration with Geoinformatics and Zinifex on the Company's Hellyer project. The modelling resulted in a new interpreted trend of the "Mixed Sequence" rock unit, the primary control on the location of the Hellyer and Que River deposits. Bass Metals considers that a large component of the Mixed Sequence unit may occur on the northern part of the SAR lease, EL48/2003. This area remains largely untested by drilling and there are several geochemical and geophysical anomalies on this ground.

Bass Metals plans to drill test the 9 highly ranked Pb/Zn/Ag/Cu VHMS targets (Hellyer type) and the 5 Au/Ag/Zn (Mt Charter type) targets in its current drill programme.

2.3.3 Emerging Drill targets

The tenements are clearly prospective for a range of mineralisation styles and deposit sizes. Bass Metals has a major advantage over previous explorers through access to recently captured data such as the airborne electromagnetic (EM) survey data flown in 2003 by the MRT, compilation of all previous exploration results for the SM tenements and its own large regional database and 3-D geological targeting model generated for its surrounding project areas.

Several target areas have already been identified based on:

- prospective "host" units such as the Mixed Sequence in the north;
- major structural / fault corridors - for example the Henty and Rosebery fault zones;
- close proximity to intrusive centres – some not previously recognised;
- nine untested EM targets coincident with many of the features listed here, generated by SM's Geophysical Consultant who was also associated with the Hellyer deposit discovery which is largely credited as being due to EM work; and,
- untested metal anomalism in streams, soil and rock chip samples.

2.4 Increase in Bass Metals Mineral Resource Inventory

Following settlement of the SM tenement acquisition Bass Metals' Mineral Resource inventory will increase as reflected in Table 3 below. This represents a 50% increase and is significant in the light of Bass Metals' recent positive Scoping Study results reported to ASX (16 June 2006) for Que River and the mining alliance with Mancala. The Que River scoping study indicated a net cash surplus of up to \$9.0 million for a 1 stage open pit development based on evaluation of only the Nico and S-lens Mineral Resources.

The mining alliance with Mancala demonstrates an operating capacity to achieve this outcome subject to completing the feasibility work.

Similar scenarios may be possible for the Farrell-Murchison workings.

Table 3 – Updated Bass Metals' Mineral Resource inventory following SM acquisition

Resource Category		tonnes	Mean Grades				
			Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
Nico Mineral Resource*							
Indicated	33,000	9.0	5.4	0.3	130	1.0	
Inferred	69,000	8.3	4.6	0.4	102	0.9	
Total	102,000	8.5	4.9	0.4	110	0.9	
S-Lens Mineral Resource**							
Indicated	164,000	5.3	1.7	1.5	70	0.3	
Inferred	206,000	3.3	1.2	1.9	59	0.3	
Total	370,000	4.2	1.4	1.7	64	0.3	
North Farrell Mineral Resource***							
Measured	51,000	4.2	11.9	0.2	358	-	
Indicated	22,000	4.1	11.7	0.2	351	-	
Inferred	107,000	3.7	10.7	0.2	314	-	
Total	180,000	3.9	11.2	0.2	331	-	
Combined Bass Metals Mineral Resource Inventory							
Measured	51,000	4.2	11.9	0.2	358	-	
Indicated	219,000	5.7	3.3	1.2	107	0.4	
Inferred	382,000	4.3	4.5	1.1	138	0.3	
Total	652,000	4.8	4.6	1.1	145	0.3	

2.5 Summary

This is a major strategic acquisition for Bass Metals involving a large ground position which covers existing resources, advanced drill targets and highly rated regional prospectivity. The area boasts several very large high grade base metal and gold mines and numerous smaller scale occurrences and the Directors consider that the acquisition of the SM tenements enhances the chances of Bass Metals making new discoveries. The leases are contiguous with several of Bass Metals' other regional tenement interests and will be easily serviced and explored with the Company's permanent exploration base located at Hellyer.

Bass Metals is uniquely poised to achieve exploration success through its dominant regional ground position, access to recently acquired geophysical data and its exploration collaboration with Geoinformatics and Zinifex giving it access to proven exploration technology and expertise to compliment its own locally based and highly experienced exploration team.

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Mike Rosenstreich who is a Member of The Australasian Institute of Mining and Metallurgy. Mr Mike Rosenstreich has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mike Rosenstreich consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

3. THE RESOLUTIONS

3.1 Resolution 1 – Approval to renew the Company's 15% placement capacity following agreement to issue 5,400,000 Shares pursuant to Sale and Purchase Agreement

On 5 July 2006, the Company announced that it had signed a Sale and Purchase Agreement with SAR. The details of the agreement are:

The Exploration Licences to be acquired are EL47/2003, EL48/2003 and EL55/2004 located in NW Tasmania ("Exploration Licences").

The Conditions Precedent include ministerial consent and regulatory approvals for the transaction.

The Consideration for the transaction comprises:

1. cash payments totalling \$300,000 payable as a \$25,000 non refundable payment on execution of the Sale and Purchase Agreement with the balance payable on satisfaction of the Conditions Precedent; and
2. 6,400,000 Shares ("Consideration Shares") issued in two tranches:
 - Tranche A: 5,400,000 Shares issued on satisfaction of the Conditions Precedent; and,
 - Tranche B: 1,000,000 Shares issued on receipt of Shareholder approval under Resolution 2 of this Notice of Meeting. If Tranche B is not approved by Shareholders then the Company will be liable to pay SM \$200,000.

It is not expected that the Conditions Precedent will be completed prior to this meeting and therefore the Company seeks prior approval to renew the Company's 15% placement capacity following the commitment the Company has already made to issue the Tranche A shares. A summary of the material terms of the Sale and Purchase Agreement are contained in Annexure A.

ASX Listing Rule 7.1 provides that the prior approval of a company's shareholders is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

The reason for an approval under ASX Listing Rule 7.1 is to reinstate the capacity of the Company to issue up to 15% of its securities in the future without the approval of its Shareholders. On 4 July 2006 the Company contractually committed itself to the issue of 5,400,000 of the total Consideration Shares available under its 15% placement capacity allowed by listing rule 7.1. This resolution seeks ratification of this contractual commitment to issue 5,400,000 shares and therefore renew the Company's 15% capacity under listing rule 7.1.

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included

in this Explanatory Statement for that purpose:

- the number of securities committed to be issued by the Company of 5,400,000 Shares comprising the Tranche A consideration for the acquisition of the Exploration Licences;
- no funds raised will be pursuant to Resolution 1;
- the securities will be issued on one date, within 10 business days of the Conditions Precedent being satisfied and in any event no later than 3 months after the date of the Meeting, or such later date as approved by ASX;
- the Shares will be issued to SAR and are subject to a 12 month voluntary escrow from the date of issue;
- the Shares rank equally with the existing Shares on issue; and
- a voting exclusion statement is included in the Notice.

3.2 Resolution 2 – Prior shareholder approval of the Allotment and Issue of Tranche B Shares to SAR pursuant to the Sale and Purchase Agreement.

Resolution 2 is required to be approved in accordance with ASX Listing Rule 7.1. The Company confirms that the proposed issue and allotment of Shares will not breach ASX Listing Rule 7.1.

The reason for an approval under ASX Listing Rule 7.1 is to reinstate the capacity of the Company to issue up to 15% of its securities without the approval of its Shareholders.

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in this Explanatory Statement for that purpose:

- (a) the number of securities issued by the Company of 1,000,000 Shares comprising the Tranche B consideration for the acquisition of the Exploration Licences;
- (b) no funds raised will be pursuant to Resolution 2;
- (c) the securities will be issued on one date and in any event no later than 3 months after the date of the Meeting, or such later date as approved by ASX, and it is anticipated that the allotment will occur on one date;
- (d) the Shares will be issued to SAR and are subject to a 12 month voluntary escrow from the date of issue;
- (e) the Shares rank equally with the existing Shares on issue; and
- (f) a voting exclusion statement is included in the Notice.

3.3 Resolution 3 - Ratification of the Allotment and Issue of Shares and Options pursuant to an Exploration Alliance Agreement.

ASX Listing Rule 7.4 permits the ratification of previous issues of securities made without prior shareholder approval, provided the issue did not breach the 15% threshold set by Listing Rule 7.1. The effect of such a ratification is to restore a company's maximum discretionary power to issue further shares up to 15% of the issued capital of the company without requiring shareholder approval.

Resolution 3 is required to be approved in accordance with ASX Listing Rule 7.4 to ratify the previous issues of securities to Geoinformatics Exploration Australia Ltd.

The Company confirms that the issue and allotment of the securities the subject of Resolution 3 did not breach ASX Listing Rule 7.1.

The reason for an approval under ASX Listing Rule 7.4 is to reinstate the capacity of the Company to issue up to 15% of its securities without the approval of its Shareholders.

Listing Rule 7.5 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.4 and the following information is included in this Explanatory Statement for that purpose:

- (a) the number of securities issued by the Company of 450,000 Shares and 150,000 options exercisable at 25 cents and expiring on 31 December 2007 ("Options") in consideration for the acquisition of interests in various exploration projects from Geoinformatics Exploration Australia Ltd under the Exploration Alliance Agreement;
- (b) the Shares were issued to Geoinformatics Exploration Australia Ltd on the following dates:
 - 150,000 Shares and 50,000 Options on 30 November 2005; and
 - 300,000 Shares and 100,000 Options on 7 June 2006;
- (c) the Shares and Options rank equally with the existing Shares and Options on issue and are subject to a 12 month voluntary escrow from the date of issue. The Options are unlisted options issued on the terms set out in the Company's announcement dated 18 October 2005;
- (d) no funds were raised by the these placements; and
- (e) a voting exclusion statement is included in the Notice.

3.4 Resolution 4 – Issue and Allotment of Shares - Placement

Regulatory Requirements - ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that the prior approval of the Shareholders of the Company is required for an issue of equity securities if the securities will, when aggregated with the securities issued by the Company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

Up to 20,000,000 Shares proposed to be issued by the Company pursuant to Resolution 4 will exceed the 15% threshold referred to in Listing Rule 7.1 and, accordingly, Shareholder approval under Listing Rule 7.1 is sought.

The proposed issue of Shares to parties will be to persons who are not related parties of the Company and is placed before Shareholders to allow the Shares to be excluded from the calculation set out in ASX Listing Rule 7.1.

Listing Rule 7.3 contains certain requirements as to the contents of a notice sent to Shareholders for the purposes of Listing Rule 7.1 and the following information is included in this Explanatory Statement for that purpose:

- (a) the maximum number of securities to be issued pursuant to Resolution 4 is 20,000,000 Shares;
- (b) the issue price of the Shares will be a minimum price that is at least 80% of the average market price for the Shares, where the average is calculated over the last 5

- days on which sales in the Shares were recorded before the day on which the issue was made or, if there is a prospectus relating to the issue, over the last 5 days on which sales in the Shares were recorded before the date the prospectus is signed;
- (c) funds raised will used to continue the exploration work programme on the Company's Tasmanian assets which will include the Exploration Licences once settlement occurs under the Sale and Purchase Agreement;
 - (d) the securities will be issued on one date and in any event no later than 3 months after the date of the Meeting, or such later date as approved by ASX, and it is anticipated that allotment will occur on one date;
 - (e) the Shares will be allotted to the parties to be decided by the Directors in their discretion;
 - (f) the Shares will rank equally with the existing Shares on issue; and
 - (g) a voting exclusion statement is included in the Notice.

Capital Structure of the Company

The capital structure of the Company following successful completion of the issue and allotments of the Resolutions is summarised below:

Details of Number of Shares:

Current	36,600,003
Saracen acquisition	6,400,000
Placement – Resolution 4	<u>20,000,000</u>
TOTAL	<u>63,000,003</u>

Details of Number of Options:

31 July 2007 Options	
Options exercisable at 25 cents each	<u>8,275,000</u>
31 December 2007 Options	
Options exercisable at 25 cents each	<u>3,075,000</u>

3.5 Resolution 5 – Increase in Non-Executive Director Fees

Resolution 5 seeks shareholder approval for the purposes of Listing Rule 10.17 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, for the Company to be authorised to increase the aggregate amount of fees paid to non-executive directors from \$100,000 by \$150,000 to an aggregate amount of \$250,000.

ASX Listing Rule 10.17 provides that an entity must not increase the total amount of Directors' fees payable by it or any of its controlled entities without the approval of holders of its ordinary securities. The rule does not apply to the salary of an Executive Director. This requirement is also reflected in the Company's Constitution.

The aggregate remuneration for all non-executive Directors was set at \$100,000 in the Company's IPO Prospectus dated 16 August 2005. The Directors have resolved to seek shareholder approval to increase the aggregate remuneration of Non-Executive Directors of the Company from \$100,000 to \$250,000 per annum.

It is not intended to use the maximum amount immediately. The proposed increase in fees of \$150,000 will be utilised as follows:

- (1) \$45,000 being an increase in current non-executive Directors fees; and
- (2) \$105,000 for future appointments of new Directors and/or future increases in Non-Executive Directors fees.

Inclusive of superannuation the annual fees to be paid for non-executive Directors prior to and following the review are:

	Current	Proposed	Increase
Chairman	\$50,000	\$65,000	\$15,000
Director	\$25,000	\$40,000	\$15,000

The proposed increase in the maximum aggregate amount:

- Provides scope to appoint additional Non-Executive Directors to enhance the breadth of skills on the Board;
- Accommodates increases in fees payable to each Non-Executive Director based on a review of fees paid to non-executive Directors in peer-group Companies;
- Ensures that the Company's fee structure remains competitive with peer-group companies; and
- Reflects the increased complexity of the Company and demands on Non-Executive Directors and the increased time commitment expected from Directors.

Maintaining a fee "buffer" will provide flexibility in planning the Board's structure in advance of specific needs arising. This may include the appointment of new Directors to the Board before directors they are replacing retire to allow for orderly succession and for optimal training and handover arrangements. Further, the buffer will permit the Company, in the future, to increase the size of its Board as it takes on new functions and responsibilities and seeks to remain flexible and responsive to its dynamic operating environment.

4. OTHER INFORMATION

There is no other information known to the Company that is material to a Shareholder's decision on how to vote on the resolutions set out in the Notice. However, should any Shareholder be in doubt as to how they should vote on any resolution and/or as to how a resolution may affect them, they should seek advice from their accountant, solicitor or other professional adviser as soon as possible.

Queries as to the lodgement of proxies and other formalities in relation to the Meeting should be directed to the Company Secretary (Telephone: (08) 9322 8044).

5. ACTION TO BE TAKEN BY SHAREHOLDERS

Attached to the Notice of Meeting accompanying this Explanatory Statement is a proxy form for use by Shareholders. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person and are eligible to vote, to complete, sign and return the proxy form to the Company in accordance with the instructions contained on the proxy form and the Notice of Meeting. Lodgement of a proxy form will not preclude a Shareholder from attending and voting at the Meeting in person.

6. GLOSSARY

ASX means Australian Stock Exchange Limited.

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

Board means the board of directors of the Company.

Company or **Bass Metals** means Bass Metals Ltd (ABN 31 109 933 995).

Conditions Precedent means the conditions precedent to the Sale and Purchase Agreement.

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement to the Notice.

Exploration Licences is defined in paragraph 2.1 of the Explanatory Statement.

Meeting means the general meeting convened by the Notice.

Notice means the notice of meeting accompanying this Statement.

Sale and Purchase Agreement is defined in Annexure A.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

ANNEXURE A

SUMMARY OF MATERIAL TERMS OF THE SALE AND PURCHASE AGREEMENT

Parties:	Bass Metals Ltd (Purchaser or BSM), Saracen Metals Pty Ltd (Vendor) and Saracen Mineral Holdings Limited (Guarantor). <i>As the Vendor has no assets other than the Tenements, a Guarantor is required to stand behind the undertakings and obligations of the Vendor.</i>
Assets being acquired:	Exploration licences, EL47/2003, EL48/2003 and EL55/2005 located in NW Tasmania (Exploration Licences), all mining information including drill core, plans and digital data.
Conditions Precedent to settlement	The consent of the Tasmanian Minister of Mines to the transaction. The Conditions Precedent are to be met by 30 th September 2006.
Consideration:	• Cash payment of \$300,000 comprising a non-refundable deposit of \$25,000 on signing and \$275,000 payable on settlement. • 5.4 million BSM shares • 1.0 million BSM shares subject to BSM shareholder approval or \$200,000 if that approval is not received. <i>The Guarantor has agreed to a voluntary escrow of 12 months from date of issue.</i>
Purchasers Undertakings:	Standard for this type of agreement and include lodgement of security bonds to enable the Vendor to retire its outstanding security bonds following settlement.
Vendor's Undertakings:	Standard for an agreement of this type and includes transfer of all mining information including maps, plans digital data and drill core.

I/Ne

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being a Member of Bass Metals Ltd entitled to attend and vote at the Meeting, hereby

Appoint

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or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the Chairman at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 10.00 am (Perth Time) on 10 August 2006 and at any adjournment thereof. If no directions are given, the Chairman will vote in favour of all of the resolutions.

FOR AGAINST ABSTAIN

Resolution 1	Approval to renew the Company's 15% placement capacity following agreement to issue 5,400,000 Shares pursuant to Saracen Tenement Purchase Agreement	☐	☐	☐
Resolution 2	Approval of Issue and Allotment of 1,000,000 Shares – pursuant to Saracen Tenement Purchase Agreement	☐	☐	☐
Resolution 3	Ratification of Allotment and Issue of Shares and Options pursuant to an Exploration Alliance Agreement	☐	☐	☐
Resolution 4	Approval of Issue and Allotment of Shares - Placement	☐	☐	☐
Resolution 5	Increase in directors' fees	☐	☐	☐

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of Resolution 5, please place a mark in the box.

By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he or she has an interest in the outcome of Resolution 5 and that a vote casts by the Chair of the meeting for Resolution 5 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your vote on Resolution 5 and your vote will not be counted in calculating the required majority if a poll is called on Resolution 5. The Chairperson intends to vote any undirected proxies in favour of Resolution 5.

YOU MUST EITHER MARK THE BOXES DIRECTING YOUR PROXY HOW TO VOTE OR MARK THE BOX INDICATING THAT YOU DO NOT WISH TO DIRECT YOUR PROXY HOW TO VOTE, OTHERWISE THIS APPOINTMENT OF PROXY FORM WILL BE DISREGARDED.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your shares are not to be counted in computing the required majority on a poll.

Signed this day of 2006

By:Individuals and joint holders
(appropriate)

Companies (affix common seal if

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

Instructions for Completing Proxy Form

1. A member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.