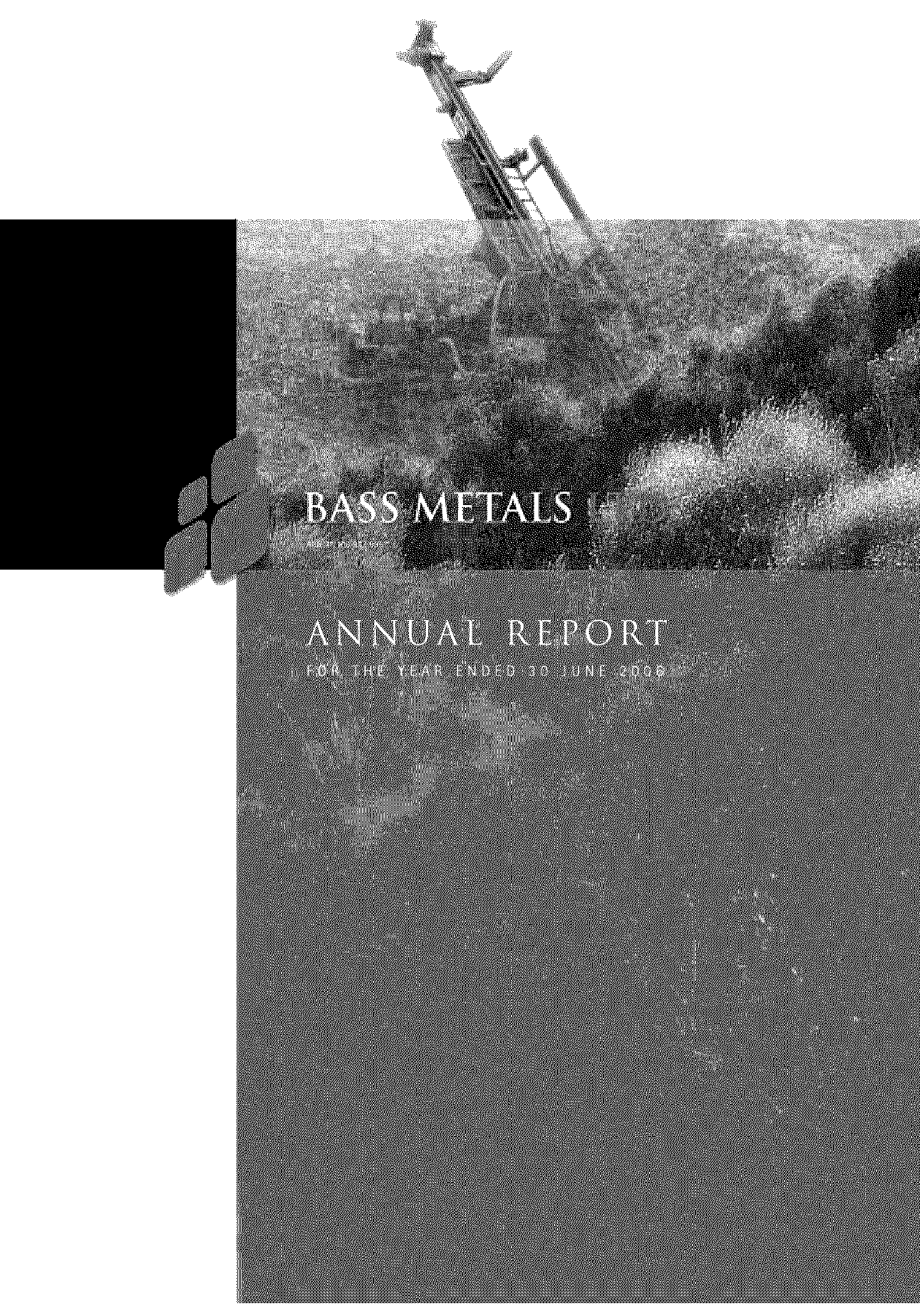


BASS METALS

ASX LISTED: BMS

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2006

CORPORATE DIRECTORY

DIRECTORS

Don Boyer (Non Executive Chairman)
Mike Rosenstreich (Managing Director)
Craig McGown (Non Executive Director)
Kieran Rodgers (Non Executive Director)

COMPANY SECRETARY

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AUDITORS

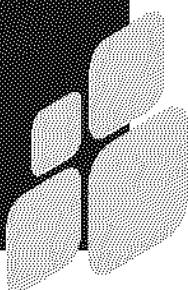
Bentleys MRI Perth Partnership
Level 1
10 Kings Park Road
West Perth WA 6005

STOCK EXCHANGE LISTINGS

Australian Stock Exchange Limited
(Code: BSM and BSM0)

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CHAIRMAN'S LETTER TO SHAREHOLDERS



DEAR FELLOW SHAREHOLDER

On behalf of the Board of Directors it gives me very great pleasure to report on a year of strong achievement on a number of important fronts. The successful completion of the IPO in October 2005 was followed by a string of exploration successes at the Company's flagship Hellyer-Que River project, the discovery of new Mineral Resources, the steady advance of the Que River mining project towards a potential decision to mine and enhancement of the Company's already dominant land position on Tasmania's west coast through the acquisition of prospective tenements along strike from Hellyer-Que River. These successes cement the Company's position as one of the leading resource companies in the Mt Read Volcanic Belt, one of Australia's premier minerals provinces.

The success has been underpinned by key alliances with zinc producer Zinifex Limited (operator of the nearby Rosebery mine in Western Tasmania), Canadian-listed Geoinformatics Exploration Inc and Intec Ltd (owner of the Hellyer treatment facility).

EXPLORATION SUCCESS

The Company has moved quickly to progress exploration on its two most advanced projects – the Que River base metals project and the nearby Mt Charter gold project – with intensive drilling campaigns being conducted at both sites, and has also started work on a number of regional projects. Drilling at Que River identified extensions to the S-lens copper-rich resource, confirmed a new base metal Mineral Resource at Nico Lens and also identified unmined zones nearby for which Resource estimations are underway. Drilling at Mt Charter returned broad zones of gold and silver mineralisation beneath outcropping mineralisation and a Mineral Resource is currently being estimated. The Company is targeting a large scale, moderate grade gold deposit amenable to open pit mining at Mt Charter.

The alliance with Geoinformatics yielded a number of priority targets for follow-up. The Zinifex Alliance is following up targets close to Hellyer-Que River and drilling of the higher priority targets commenced subsequent to years end.

QUE RIVER BASE METALS MINING STUDY

The Company is focused on achieving a cash flow at the earliest opportunity and a mining study has been looking at the development of open pits at Que River to extract shallow high grade deposits. This study originally focused on the S-Lens and Nico Lens Resources and indicated positive returns, but the recent discovery of unmined high grade zones elsewhere at Que River has resulted in an expansion of the study. The close proximity of mine-related infrastructure means that even modest tonnages of rich base metals ores can be profitably mined in the current high commodity price regime. The Company has entered into an alliance with Mancaia Pty Ltd, an established and experienced operator in Tasmania, to undertake the mining operations at Que River.

FUTURE GROWTH

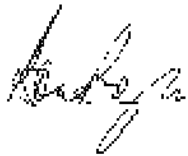
Just one year after listing the Company's growth strategy can be seen to be bearing fruit and, subject to the successful conclusion on studies in hand, there are excellent prospects for cash flow from the Que River open pit mining operation in 2007. The Zinifex alliance has started to drill-test the large number of deeper medium to long term targets and we can look forward to a string of results from this work and from the Company testing a wealth of regional targets over the coming twelve months.

CHAIRMAN'S LETTER (CONTINUED)

None of this would have been possible without the skill, dedication and enthusiasm of my fellow Directors, management, employees and contractors or the support of the Company's shareholders, and on behalf of the Board I extend sincere thanks for everyone's efforts.

There was considerable volatility in the Company's share price during the year, but since year end there has been a steady improvement and looking ahead the task for your Board and management is to capitalise on the benefits of the success achieved to date at Hellyer-Que River to provide a basis for sustained growth in the value of the Company's shares.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Don Boyer', with a stylized flourish at the end.

DON BOYER

Chairman

REVIEW OF OPERATIONS

EXPLORATION

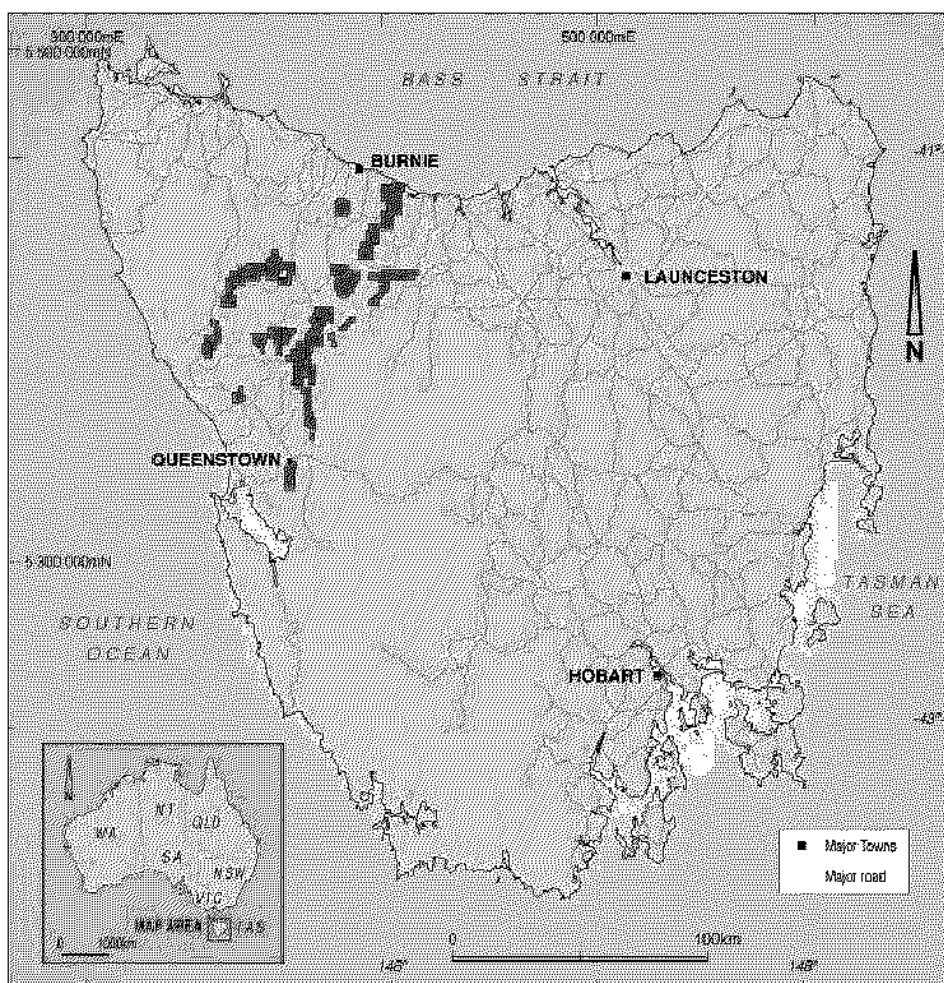
Since incorporation in July 2004, Bass Metals Ltd has focused on a strategy of accumulating a substantial land position within the highly prospective Mt Read Volcanics belt ("MRV") in Western Tasmania. Acquisition of the advanced Hellyer exploration project, including the Hellyer and Que River decommissioned mines, was the first stage of a very successful acquisition process that has since resulted in the expansion of the Company's ground position to approximately 1,200km² – the largest in this outstandingly prospective region. The Company has formulated an exploration strategy which has started with two drilling programmes commencing in late October 2005.

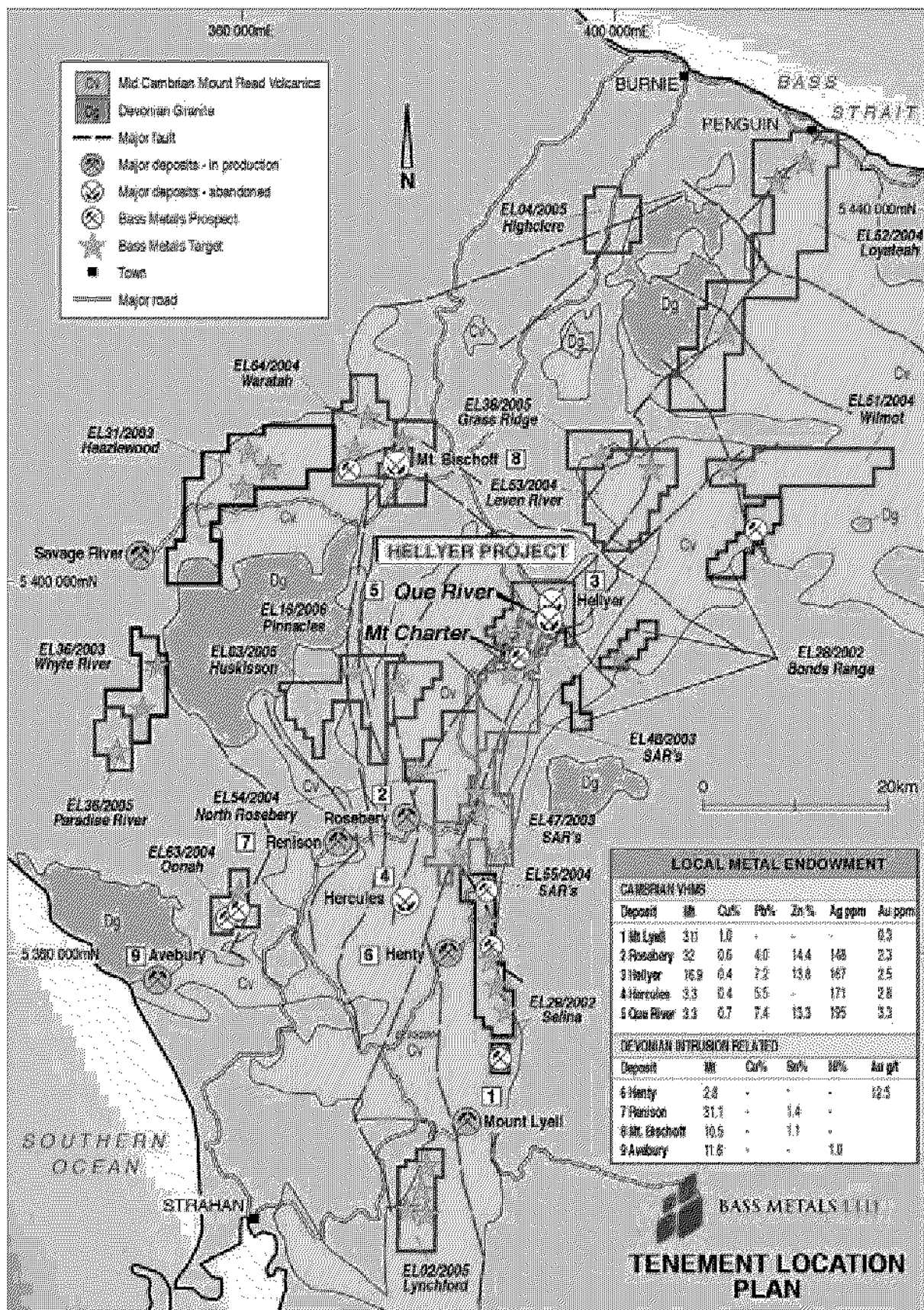
ADVANCED PROJECTS

Mt Charter Gold Project

Exploration Results

The Mt Charter gold project is an extensive outcropping gold-silver mineralised system that until Bass Metals involvement has never been systematically evaluated as a gold project. Drilling and sampling in the area by previous explorers was directed towards the discovery of Hellyer-type base metals deposits, but during the course of this historic work significant gold-silver results were returned. Bass Metals was attracted to the prospect by the large areal extent of significant surface gold samples and wide gold-silver mineralised drill intercepts highlighting the potential of a large scale gold-silver deposit.





In October 2005 Bass Metals completed a first pass soil programme designed to test the extent of the gold mineralisation and provide information on the possible trends of the gold-silver mineralisation. This programme highlighted a large coherent gold-in-soil anomaly extending for over 700 metres in a northwest-southeast trend defined at a 100ppb gold contour. This contour encloses several higher order (500ppb gold) contours which surround the area of historic drilling and new extensions not yet drill tested. These are high grade gold in soil anomalies with coherent anomalies outlined at a 1000ppb (1 g/t) gold contour. The anomalies remain open to the north, north east and south west.

Encouraged by these high tenor gold-in-soil results Bass Metals commenced diamond core drilling in late October to test the central area of the indicated gold mineralisation to confirm the soil anomalies and verify some of the previous drill hits. A five hole diamond core drilling programme was completed in early December. The results of this drilling programme are included in Table 1 below; MCD20 to MCD24.

TABLE 1: Summary of assay results for Mt Charter Drilling completed prior to 30 June 2006. (1.0 g/t gold cut-off)

	From (m)	To (m)	Down hole Interval (m)	Gold (g/t)	Silver (g/t)	*Gold Equiv. (g/t)	Zinc (%)	Lead (%)	In situ Bulk Density (g/cm ³)
MCD20	1.7	54.2	52.5	1.9	39	2.7	nsr*	nsr	2.8
MCD21	0	80.0	80.0	1.6	61	2.8	nsr*	nsr	3.2
MCD22	56.0	71.4	15.4	2.1	38	2.9	4.8	1.9	3.6
	83.9	91.9	8.0	2.1	27	2.6	2.9	1.0	3.7
<i>Within a broader zone defined at a 0.5 g/t Au cut-off</i>									
	49.2	98.6	49.4	1.4	22	1.8	2.6	1.0	3.1
MCD23	84.0	85.0	1.0	4.6	16	4.9	nsr	nsr	3.0
<i>Within a broader zone defined at a 0.5 g/t Au cut-off</i>									
	83.0	88.6	5.6	1.4	8	1.6	nsr	nsr	2.8
MCD24	No significant intercepts								
MCD25	No significant intercepts								
MCD26	12.0	32.0	20.0	2.0	47	2.9	0.8	0.5	3.0
	37.0	96.0	59.0	1.3	31	1.9	0.9	0.3	3.0
<i>Within a broader zone defined at a 0.5 g/t Au cut-off</i>									
	4.0	96.0	92	1.3	33	1.9	0.8	0.3	3.0
<i>And includes a zinc rich zone of >1% Zn</i>									
	36	52	16	1.5	40	2.3	2.2	0.7	3.0
MCD27	7.0	35.0	28.0	1.2	41	2.0	2.0	1.0	3.2
	40.0	49.0	9.0	1.3	32	1.9	0.6	nsr	3.1
<i>Within a broader zone defined at a 0.5 g/t Au cut-off</i>									
	3.0	54.0	51.0	1.1	33	1.7	1.3	0.6	3.1
<i>And includes a zinc rich zone of >1% Zn</i>									
	15	35	20	1.3	47	2.2	2.6	1.3	3.1

* nsr indicates no significant result

A second programme comprising 12 drill holes started in April and was completed in late July 2006. The objective was to gain sufficient data density to enable the estimation of a JORC compliant Mineral Resource. The results for the completed drill holes as at June 30 2006 are also summarised in Table 1 above (MCD25 to MCD27).

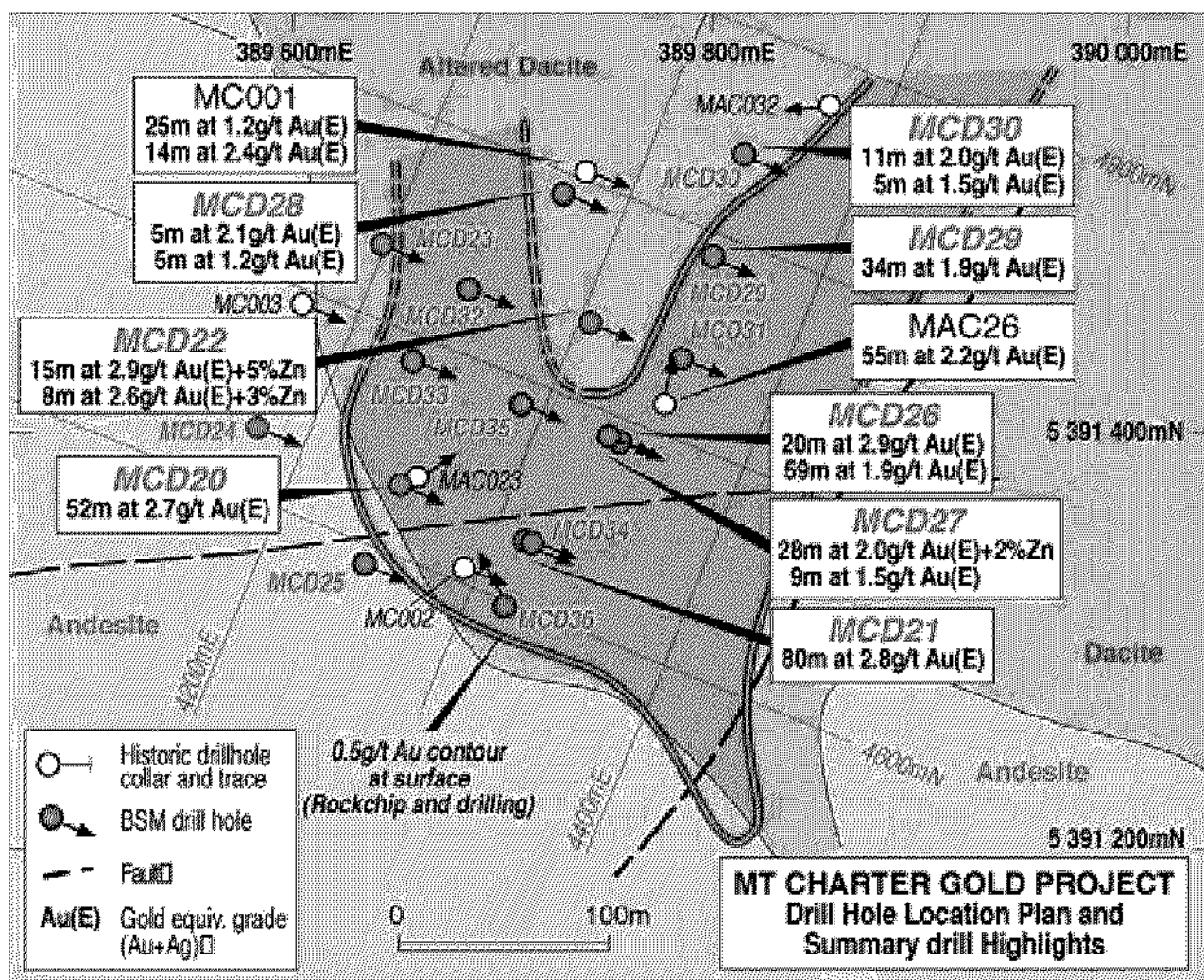


FIGURE 1: Mt Charter Drill Hole Location Plan

Details of the completed programme are presented in Table 2 below. All drill hole collars have been located by survey control. A drill hole location plan is presented in Figure 1.

TABLE 2: Mt Charter Drilling Programme

Hole	Grid North	Grid East	Depth(m)	Inclination	Progress/results
MCD020	4631	4254	100.6	-60	Complete/received
MCD021	4629	4318	120.2	-60	Complete/received
MCD022	4738	4309	120.2	-60	Complete/received
MCD023	4735	4201	100.7	-60	Complete/received
MCD024	4630	4177	100.2	-60	Complete/pending
MCD025	4590	4261	134.8	-60	Complete/received
MCD026	4690	4342	119.8	-60	Complete/received
MCD027	4690	4342	106.6	-35	Complete/received

All holes are drilled grid (local) east.

Mt Charter – Summary

The Bass Metals' drilling programme results received to date have confirmed a wide shallow zone of gold-silver and zinc mineralisation. The work programme for the first half of 2006 included detailed 3-dimensional geological modelling to understand the controls and geometry of the mineralisation and further drilling for which assay results are still outstanding. An extensive programme of metallurgical test work has commenced and results for this are still pending.

The Mt Charter deposit is well located in terms of sealed roads, power and processing infrastructure and subject to the completion of a Mineral Resource estimate and metallurgical test work the Directors consider that the project has excellent potential to develop into a mining operation.

QUE RIVER PROJECT

Exploration Results

Que River was a high grade base metals mine with a total endowment of 3.3 million tonnes at 13.3% zinc, 195 g/t silver 3.3 g/t gold 7.4% lead and 0.7% copper. Ore from the mine was trucked to the Rosebery plant for processing and the mine was closed in 1991 as the reserves were depleted and the Hellyer Mine came on stream. Copper rich mineralisation such as occurs at S-lens was left because Rosebery did not have a copper recovery circuit at the time.

Que River mineralisation is hosted in a series of stacked and folded massive sulphide lenses. Bass Metals considers that there is excellent potential to delineate further resources on known, unmined massive sulphide lenses such the S-Lens and Nico lens as well as to make new lens discoveries.

Since listing the Company has completed an extensive drilling programme at S-Lens. Results available for drilling completed as at 30 June 2006 are summarised in Table 3 and drill hole details are provided in Table 4.

TABLE 3: S-Lens Summary of Assay Results

	From (m)	To (m)	Down Hole Length (m)	Horizontal Width (m)	Cu (%)	Zn (%)	Ag (g/t)	Au (g/t)	Pb (%)
ORD1223	32	34.8	2.8	2.0	3.9	3.0	93	0.35	0.9
Within a zone comprising	32	40.4	8.4	5.9	1.3	2.0	35	0.2	0.4
ORD1224	97.7	102.4	4.7	3.4	1.7	0.2	34	0.2	0.2
	108.7	113.1	4.4	3.2	0.7	12.5	57	0.2	3.3
Within a zone comprising	97.7	113.1	16.4	11.8	0.8	3.6	33	0.2	1.0
ORD1225	72.8	79.3	6.5	3.2	3.4	0.6	67	0.4	0.1
ORD1226	113.20	118.7	3.3	2.70	1.1	0.1	16	0.3	0.1
ORD1227	196.5	198.7	2.2	0.7	1.2	<0.1	10	0.2	<0.1
	217.6	219.6	2.0	0.6	1.2	<0.1	11	0.1	<0.1
	229.5	232.7	3.3	1.0	2.4	<0.1	16	0.1	<0.1
ORD 1228 – 1230	No significant intercepts								
ORD1231	16.8	21.3	4.5	3.9	1.6	0.01	33	0.4	<0.1
ORD1232	30.35	31.2	0.85	0.5	2.3	0.1	121	0.3	0.2
	38.65	39.7	1.05	0.6	2.5	0.1	32	0.3	-
	229.5	232	3.3	1.0	2.4	-	16	-	-
ORD1233	18.5	18.9	0.4	0.35	2.4	-	83	1.5	0.2
ORD1234	32.5	35.7	3.2	2.1	3.2	0.7	103	0.58	0.3

Interval selection was broadly based on lower assay cuts of 0.5% for Cu and 1.0% for Zn and Pb over intervals greater than 1.0 metre and is designed to provide a guide to the width and tenor of the mineralised system.

Mineralisation in the main S-Lens target position comprises veins and disseminated chalcopyrite, sphalerite and galena within a vertical massive to semi-massive pyrite zone hosted by altered volcanics and volcaniclastics. Overall the drill results from within the Mineral Resource envelope have been positive confirming and enhancing the widths and grades intersected in historic adjacent drill holes.

Drill holes QRD1226 to QRD1230 were designed to test for southerly extensions to the S-Lens Mineral Resource. The drill holes appear to have intersected the S-Lens massive sulphide position and extensions to the Mineral Resource are possible, but given the widths and grades further drilling in this area currently has a lower priority.

Drilling is continuing on the shallower portions of the Mineral Resources and mineralised targets which could form part of the Que River mining plan currently being assessed.

TABLE 4: S-Lens First Pass Diamond Drilling Programme

Number	Grid North (m)	Grid East (m)	Hole Depth hole	Planned depth (m)	Progress/results
QRD 1223	7347	5257	-45	80	Complete/received
QRD 1224	7324	5240	-60	143.5	Complete/received
QRD1225	7324	5241	-45	98	Complete/received
QRD1226	7250	5221	-61	173.3	Complete/received
QRD1227	7250	5221	-70	250	In Progress-158m
QRD 1227	7250	5221	-70	266.8	Complete/received
QRD 1228	7250	5222	-45	110.6	Complete/received
QRD1229	7300	5220	-45	138.5	Complete/received
QRD1230	7276	5208	-62	229.6	Complete/received
QRD1231	7375	5276	-30	47.6	Complete/received
QRD1231	7375	5276	-30	47.6	Complete/received
QRD1232	7375	5276	-54	63.7	Complete/received
QRD1233	7325	5269	-30	49.8	Complete/received
QRD1234	7325	5268	-58	65.8	Complete/received
QRD1235	7349	5257	-59	98.8	Complete/pending

Que River Mining Study (QRMS)

The Company considers that the Mineral Resources and targets identified at Que River have excellent potential to develop into a mining operation. A mining study has been underway since the start of the year, which subject to a positive outcome could see production commencing this calendar year. To facilitate the possible start of mine production and to ensure the Company maintains its current focus on exploration activities it has signed a Letter of Intent with Mancala Pty Ltd, a specialist mining contractor whose principals are familiar with the former Que River mining operations and have experience in western Tasmania mining these styles of deposits by both open cut and underground methods. Mancala is currently working with Bass Metals to complete the QRMS. The following section summarises progress on the QRMS since the IPO Prospectus.

a. Targets and Mineral Resources

A plan showing the location of currently defined Mineral Resources and targets is presented in Figure 2.

The current Mineral Resources at Que River are summarised in Table 5, these are reported in compliance with the JORC Code.

These Mineral Resource estimates were completed by Dr Gary McArthur of McArthur Ore Deposit Assessments Pty Ltd (MODA) who has consented to the inclusion of his estimate in this Report.

TABLE 5: Que River Mineral Resource Summary

Nico Mineral Resource

JORC Resource Category	Tonnes	Density (t/m ³)	Zn (%)	Pb (%)	MEAN GRADES		
					Ag (g/t)	Au (g/t)	Cu (%)
Indicated	33,000	3.7	9.0	5.4	130	1.0	0.3
Inferred	69,000	3.6	8.3	4.6	102	0.9	0.4
TOTAL	102,000	3.6	8.5	4.9	110	0.9	0.4

S-Lens Mineral Resource

JORC Resource Category	Tonnes	Density (t/m ³)	Cu (%)	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)
Indicated	164,000	3.9	1.5	5.3	1.7	70	0.3
Inferred	206,000	3.9	1.9	3.3	1.2	59	0.3
TOTAL	370,000	3.9	1.7	4.2	1.4	64	0.3

A shallow target for high grade base metal mineralisation has been identified at QR 32 and the Company is confident of identifying further targets as it continues detailed assessment work through the entire Que River lens system.

The QR32 lens was partially mined from underground in the late 1980's but significant resource potential remains. Significant true width intersections in the QR32 target include:

- ✱ 14 metres at 5.5% Zn, 3.5% Pb, 85 g/t Ag, 1.0 g/t Au ~120 m. below surface (QR1000);
- ✱ 8.8 metres at 3.8% Zn, 2.5% Pb, 69 g/t Ag, 0.9 g/t Au ~100 m. below surface (QR1096);
- ✱ 4.8 metres at 6.7% Zn, 4.6% Pb, 142 g/t Ag ~25 m. below surface (QR1084);
- ✱ 1.7 metres at 4.4% Zn, 3.3% Pb, 85 g/t Ag ~35 m. below surface (QR1084);
- ✱ 0.9 metres at 5.1% Zn, 2.2% Pb, 70 g/t Ag, 1.1 Au ~70 m below surface (QR1084);

The Directors consider that there is good potential to build on the existing shallow 500,000 tonne JORC compliant resource base with further work on other potentially open pitable targets such as QR32.

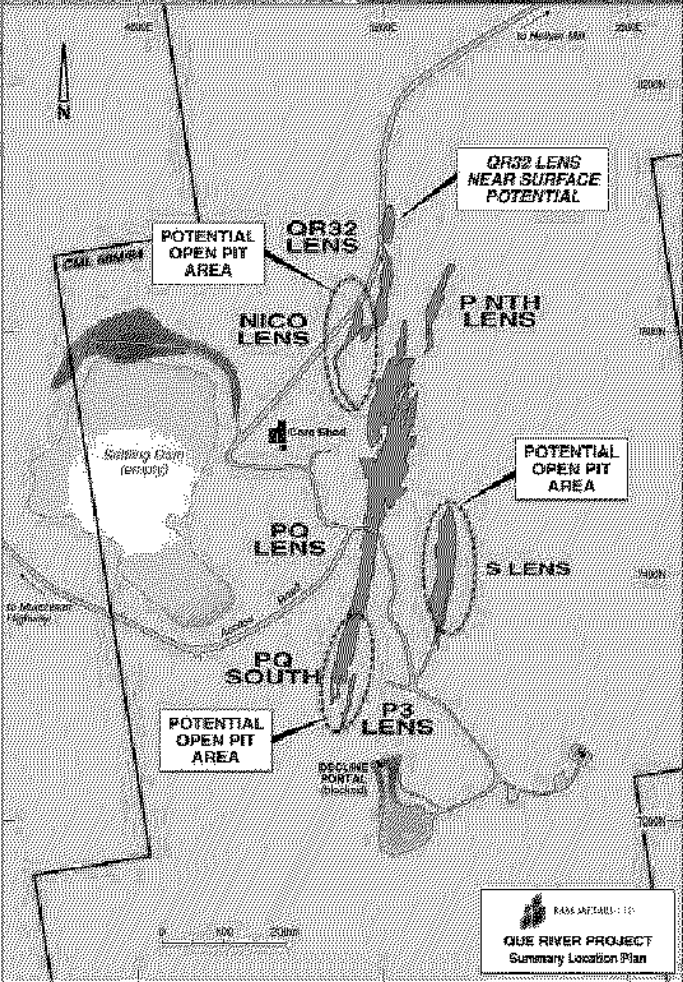


FIGURE 2: Que River Project Location Plan

b. Mining Evaluation

The Company has outlined two Mineral Resources at S-Lens and Nico Lens totalling approximately 500,000 tonnes which were the subject of a scoping level mining study completed by Snowden Mining Industry Consultants. This formed the basis of a financial evaluation by the Company which indicated the potential to generate up to \$9.0 million in surplus cash based on parameters detailed in Table 6.

TABLE 6: Key Results from Que River Scoping Study – Initial developments.

Item	Input / Result	Comment
Production Rate	100,000 to 200,000 tonnes of ore per year.	Limiting factors are vertical advance rate of a small pit. Required ore delivery schedule of off take party.
In pit resources	Indicated and Inferred Mineral Resources occurring within the stage 1 and stage 2 pit outlines total approximately 250,000t.	
Commodity prices	Copper US\$6,700/t Zinc US\$3,000/t Lead US\$970/t Silver US\$10/oz Gold US\$565/oz US\$:A\$ 0.74	The revenue calculation used these "current" commodity prices and assumed standard industry smelter & refining charges. These are currently the subject of negotiation with the potential off-take parties.
Estimated operating surpluses.	Stage 1 – \$5 million Stage 2 – \$4 million Total \$9 million	The average operating margin is approximately 40% after all costs.

Estimates were made for mining, haulage and processing costs based on local industry knowledge. Assumptions on revenue for "ore" sales were also based on standard industry returns and some local precedents. All of these input parameters need to be confirmed in the next phase of the study and at this stage all inputs and results should be considered to be within a +/- 30% estimate range.

While the Company has reasonable basis on which to express these estimates, any forward looking statement is subject to risk. Risks include, without limitation: metal prices, foreign exchange rate movements, project funding capacity, concentrate off take contracts and estimates of future capital and operating costs.

The scoping study results were encouraging and provided the impetus to conclude a mining alliance with Mancala which was formalised with a Letter of Intent signed on 15 June 2006. The key terms include Mancala:

- ❖ acquiring a 20% equity stake in a sublease around the Mineral Resources and Que River mine infrastructure;
- ❖ undertaking all mine geology, environmental, mining, haulage, off-take management and Occupational Health and Safety functions on the site; and,
- ❖ Mancala earning a fee which effectively covers its costs – with the incentive coming from its equity stake to maximise profit through high grade ore mining and adding to the existing mine life.

The Alliance will be documented in more detail as the parties near completion of the detailed Que River mining plans. It is likely that the Alliance will be structured as an unincorporated joint venture.

Bass Metals in collaboration with Mancala is now preparing a detailed mining plan. The Directors are optimistic that further enhancements on the scoping study mine plan will be possible including the addition of new ore sources.

c. Processing

The Company is in discussions with both Intec Ltd and Zinifex Limited to negotiate access to their processing facilities located at Hellyer and Rosebery respectively. At Hellyer, Intec has reported to the ASX on 31 July 2006 that its joint venture with Polymetals Mining Services Pty Ltd is on track to restart the Hellyer Mill in late September 2006 to process Hellyer tailings at a rate of 1.5mtpa to produce a bulk Zn-Pb concentrate. The Rosebery plant has been operating for nearly 80 years, treating mainly Rosebery Zn-Pb-Cu-Ag-Au ore to produce zinc, lead and copper concentrates as well as gold bullion.

To achieve maximum exploitation of the Mineral Resources at Que River the Company aims to deliver ore to both of these plants.

The discussions on mill access are ongoing and are not completed. Whilst the Directors believe that a commercial outcome is possible it is not assured.

d. Permitting and Approvals

The Company is advanced on meeting its requirements under the Tasmanian approvals and permitting process. A Notice of Intent has been submitted which is based on the scoping study mine plan. The core component of the Company's Development Proposal and Environmental Management Plan ("DPEMP") is an environmental management plan which clearly demonstrates a sustainable plan for management of the environmental risks which in this case are largely related to acid mine drainage issues. This plan will be submitted for approval to the Waratah Wynyard Council and the Dept. of Tourism, Arts and the Environment (DTAE).

As part of the DPEMP approval process the Company undertook baseline water studies for the Que and Southwell river catchment areas which identified a significant environmental legacy associated with the site due to the previous mining operations.

In consultation with the relevant government departments a strategy is being developed whereby re-commencing mining operations which incorporate effective environmental management plans will reduce this legacy issue as well as manage any new environmental impacts. A water settlement dam already exists at Que River and can be utilised to contain and treat run-off water to both catchment areas by standard pH neutralisation techniques.

A co-operative agreement is being sought between all stakeholders which recognises the existing issues and should allow Bass Metals to start mining and therefore reduce future emissions from the lease. These discussions are ongoing and the Company believes that given the staged approach to mining which is largely confined to the footprint of the previous operation and the overall net positive environmental impact that approvals will be received in a timely manner; however this is not assured and remains a risk to the development.

HELLYER EXPLORATION ALLIANCE

The Hellyer Exploration Alliance (HEA) between Bass Metals and Zinifex Limited is a \$2.0 million exploration programme, equally funded by both parties and managed by Bass Metals with the aim to discover new large scale, Hellyer type massive sulphide base metal deposits on the Hellyer Project leases. During the alliance period, which expires 2 August 2007 Zinifex has the right to select up to 3 Special Project Joint Venture Areas (SPJVA) where it must sole fund all evaluation work up to completion of a bankable standard feasibility study to earn a 70% interest in each SPJVA.

The Parties have subsequently agreed to vary the HEA agreement to include:

- Variation to the definition of the S-Lens excluded areas to include any remnant resources or new mineralised extensions found within 200 metres of remnant resources already identified in the Que River mining area.
- Subject to Bass Metals completing the acquisition of EL48/2003 from Saracen Metals Pty Ltd Zinifex's rights to select SPJVA's will extend outside of the current Tenements to the specific targets identified by the Hellyer Corridor Intervention Project work undertaken with Geoinformatics on the northern portion of EL48/2004. These targets are tightly defined and this amendment reflects that the HEA generated these targets on the Saracen lease due to the interconnected nature of the tenements and the overlapping extent of the public domain data sets utilised. The number of SPJVA's which Zinifex can select remains unchanged at a maximum of three.
- Increase the number of SPJVA's Zinifex can enter into from 3 to 4 but at least one of the 4 must include a target defined as an Ultra Deep target which comprises 3 targets believed to occur at depths of between 800 to 1500 metres below the surface.

The formal documentation process being undertaken by Zinifex is due to be completed by early October 2006.

The HEA has been operating successfully for the past year; the compilation and interpretation work has been completed and an extensive drilling programme is due to commence in July. Both parties are funding the work which is being managed by Bass Metals.

Since the IPO the HEA, has in collaboration with Geoinformatics Exploration Inc. (TSX.V:GXL), undertaken an exhaustive programme of data compilation, processing and geological modelling and recently completed the target generation and definition process.

A fundamental control on the development of Hellyer style mineralisation has been the presence of the main "ore host horizon" known as the Mixed Sequence or Dacite Horizon and its association with specific regional faults. New geophysical data processing techniques and detailed geological modelling contributed to a revised interpretation of the regional trend of this unit opening up new areas prospective for mineralisation. A probabilistic target generation process was applied on the new geological model generating over 26 target zones.

The HEA has selected 13 target areas and compiled a \$1.9 million work programme which includes approximately 7,000 metres of diamond drilling to validate and test these targets. This drilling programme will be undertaken on a continuous basis with a second drill rig to be mobilised to site in mid July.

REGIONAL EXPLORATION

Bass Metals fourth major exploration initiative is its regional tenement holding. In the IPO Prospectus the Company presented its Project Pyramid (Figure 4 page 15) as a core part of its growth strategy to "organically" generate new targets from regional prospects whilst maintaining active programmes on advanced prospects. The Company listed with a large land bank, which it has added to since that time through three new applications and a major tenement acquisition from Saracen Mineral Holdings Limited ("Saracen"), which was announced on 5th July 2006.

To facilitate the efficient exploration of such a large and prospective landholding Bass Metals formed an exploration alliance with Geoinformatics where they contribute their data compilation and assessment skills over all of Bass Metals regional tenements.

The regional targeting work is continuing along with the completion of the Saracen tenement acquisition which is expected to settle in September 2006. The following section provides updates on the regional exploration initiatives during the year.

Regional Targeting

This work has been on going for the past 8 months and the Company is now close to completing:

- ✱ compilation, capture and integration of geology, geophysics, geochemistry, mineral occurrence and drill data from over 1300 historic open file reports;
- ✱ integration of this data into a 3 dimensional spatial dataset;
- ✱ construction of 3 dimensional geological models of each of the 14 project areas; and,
- ✱ application of contemporary Monte Carlo style mineral deposit targeting techniques to identify and rank target areas.

At this stage, approximately 60 targets prospective for large scale gold, base metals, tin and nickel deposits are emerging. This does not include the two new tenement groups currently being added to the portfolio – the Saracen leases and the Pinnacles lease. An example of one of the higher ranked targets is the North Rosebery Project a 75:25, Bass Metals – Geoinformatics joint venture.

North Rosebery

The North Rosebery prospect is located 4km north along strike from the Rosebery Mine. It appears to be located in structural flexure in close spatial association with the Rosebery fault and within the same suite of rocks, the Rosebery Shale as the Rosebery deposit and with possible felsic tuff which are also found at Rosebery. Previous work includes an IP Geophysical survey completed in the mid 1990's highlighting anomalies consistent with the both the Rosebery Shale but also unexplained high chargeability anomalies possibly indicative of mineralisation. Two drill holes completed in the 1970's to the north of the geophysical anomalies intersected elevated zinc values such as 39m at 0.08% Zn, 11m at 0.18% Zn and 37m at 0.16% Zn. The convergence of geological features similar to the Rosebery deposit within 4km of it and with anomalous geophysical and geochemical responses provides strong encouragement to further test the area for possible Rosebery style mineralisation.

Selina & Bonds Range Tenements

At Selina results from Bass Metals' work has identified two anomalous zones prospective for both gold and base metals mineralisation. The new anomalies occur in the central portion of the lease in the vicinity of the historic Lake Dora copper workings. On the western margin of the copper workings an anomalous lead-zinc zone approximately 4km long has been delineated and to the east of the line of copper workings a zone of gold anomalism along a 2km trend has been identified. The anomalies are based on a total of 378 soil samples taken at a 50 metre sampling interval on lines spaced at 200 metres north-south.

The compilation of historical data has also identified two large scale anomalous zones on the tenement; in the north at the Mt Selina area a lead-zinc zone approximately 1.5km long and in the south, an extensive zone of lead-zinc anomalism in the Beatrice area associated with felsic intrusive rocks.

The anomalies are important exploration targets; occurring in terrains prospective for major gold and base metal deposits as indicated by the proximal presence of the Henty gold mine (1 million ounces) and the world class Mt Lyell copper-gold mine.

A similar style of soil sampling programme is in progress on the Bonds Range exploration licence. Compilation of assay results for this programme is in progress. The Selina and Bonds Range exploration licences are held through a joint venture agreement with Adamus Resources Ltd. Further updates to the joint venture agreement are provided in Section 3.4.

New Tenements

Applications

Since the IPO Prospectus the Company has applied for three new exploration licences;

- ✱ Grass Ridge (EL38/2005): granted on 14 June 2006. The area covers discrete geophysical anomaly coincident with barite occurrences and possibly indicative of Hellyer style mineralisation.
- ✱ Paradise River (EL36/2005): grant pending, covers potential southern extensions to the Savage River iron formation
- ✱ Pinnacles (EL16/2006): grant pending, area covers target for intrusive related mineralisation coincident with geophysical and geochemical anomalies from historic exploration work.

Saracen Tenements (after the current reporting period)

On 5 July 2006 Bass Metals announced it had agreed to purchase a 100% interest in 3 exploration licenses from Saracen located immediately south of and contiguous with its Hellyer Project and North Rosebery tenements. It is a major strategic acquisition for the Company involving a large ground position which covers existing resources, advanced drill targets and highly rated regional prospectivity.

Tenements Acquired and Relinquished

Changes in the Company's tenements since the IPO Prospectus are summarised in Table 7 below.

TABLE 7: Changes to Bass Metals Tenements since the IPO Prospectus.

Project	Tenement	Interest	Comment
Tenements Applied For			
Grass Ridge	EL38/2005	75% BSM	Granted
Paradise River	EL36/2005	75% BSM	Grant pending a meeting with local stakeholders
Pinnacles	EL16/2006	75% BSM	
Tenements Acquired (Subsequent to 30 June 2006)			
Tullah	EL47/2003	100% BSM	Subject to settlement of acquisition from Saracen, expected to occur in September 2006.
Mt Block	EL48/2003	100% BSM	
Moxon Saddle	EL55/2004	100% BSM	
Tenements Relinquished			
Southwell	EL17/1999	100% BSM	Licence expired – not renewed.

CORPORATE

The highlight of the year was the successful listing of the Company on ASX with the Initial Public Offer (IPO) closing early and substantially oversubscribed. A total of \$3.5 million was raised via the IPO of 17.5 million shares at \$0.20 each. Shares were also issued to Geoinformatics Exploration Australia Ltd pursuant to the Tasmania Alliance Agreement and to the Managing Director under an Employee Share Purchase Plan approved by shareholders on the 21 March 2005.

During the half-year, 4,525,000 options exercisable at \$0.25 and expiring on the 31st July 2007 were also issued. This comprised 4,375,000 issued pursuant to the IPO Prospectus on the basis of one option for every 4 shares subscribed, for no consideration. Pioneer Nickel Ltd was issued 150,000 options under the Staged Farm-in Agreement covering the Heazlewood and Whyte River tenements. Additional options issued comprise:

- ⌘ 50,000 exercisable at \$0.25 and expiring 31 December 2007 issued to Geoinformatics Exploration Australia Ltd; and
- ⌘ Three tranches of Incentive Options were issued to the Managing Director totalling 1,050,000 exercisable at prices between \$0.25 and \$0.35, pursuant to shareholder approval granted on 21 March 2005.

At the annual general meeting of shareholders approval was granted to change the Company's name from Resource Finance and Investments Limited to Bass Metals Ltd.

On 10 August 2006 the Company announced that it had received firm offers to subscribe for 20,000,000 Shares at an issue price of \$0.16 per share to raise a total of \$3.2 million from a group of sophisticated and professional investors pursuant to sections 708(8) and 708(11) respectively of the Corporations Act. The Placement was subject to Shareholder approval, which was granted at a General Meeting of shareholders, held on 10 August 2006. The Placement Shares were issued on 16 August 2006.

Ms Susan Hunter was appointed Company Secretary on 28 September 2006.

CORPORATE GOVERNANCE

INTRODUCTION

The Board and management are committed to corporate governance and, to the extent they are applicable to the Company (given its size and scale of operations), have adopted the Ten Essential Corporate Governance Principles and each of the Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations").

Whilst the Board has demonstrated, and continues to demonstrate, its commitment to best practice in corporate governance, it emphasises that good corporate governance is only one factor contributing to the success of the Company's operations. The Company operates in the high risk mineral exploration and development industry, and its future success is highly dependent on successful development and exploitation of its exploration properties and projects. There are a number of risks that may impact on the Company's future performance and returns to shareholders, a summary of which is set out in section 2 listed on the Corporate Governance page on the Company's website.

The following additional information about the Company's corporate governance practices is set out on the Company's website at www.bassmetals.com.au:

- ✧ Corporate governance disclosures and explanations;
- ✧ Statement of Board and Management Functions;
- ✧ Nomination Committee Charter;
- ✧ Policy and procedure for selection and appointment of new Directors;
- ✧ Summary of code of conduct for Directors and key executives;
- ✧ Summary of policy on securities trading;
- ✧ Audit Committee Charter;
- ✧ Policy and procedure for selection of external auditor and rotation of audit engagement partners;
- ✧ Summary of policy and procedure for compliance with continuous disclosure requirements;
- ✧ Summary of arrangements regarding communication with and participation of shareholders;
- ✧ Summary of Company's risk management policy and internal compliance and control system;
- ✧ Process for performance evaluation of the Board, Board committees, individual Directors and key executives;
- ✧ Remuneration Committee Charter; and
- ✧ Corporate Code of Conduct.

CORPORATE GOVERNANCE DISCLOSURES

During the Company's 2005/2006 financial year ("Reporting Period") the Company complied with the ASX Principles and Recommendations other than in relation to the matters specified below:

Principle Ref	Recommendation Ref	Notification of Departure	Explanation for Departure
2	2.1; 2.2	No Director was considered an independent Director.	The Board considers that its structure has been, and continues to be, appropriate in the context of the Company's recent history. The Company considers that each of the non-independent Directors possess skills and experience suitable for building the Company. Furthermore, the Board considers that in the current phase of the Company's growth, the Company's shareholders are better served by Directors who have a vested interest in the Company. Nonetheless, the Board takes the responsibilities of best practice in corporate governance seriously and will consider the appointment of independent Directors if deemed appropriate depending on the scope and scale of it's operations.
2	2.4	A separate Nomination Committee has not been formed.	The role of the Nomination Committee is carried out by the full Board. The Board considers that given its size, no efficiencies or other benefits would be gained by establishing a separate Nomination Committee.
4	4.2; 4.3	A separate Audit Committee has not been formed.	The role of the Audit Committee is carried out by the full Board. The Board considers that given its size and stage of development, no efficiencies or other benefits would be gained by establishing a separate Audit Committee. The Board will re-consider establishing a separate Audit Committee as the Company's operations grow.
9	9.2	There was no separate Remuneration Committee.	The full Board carried out the functions of the Remuneration Committee. All matters of remuneration were determined by the Board in accordance with Corporations Act requirements, especially in respect of related party transactions. That is, no Directors participated in any deliberation regarding his own remuneration or related issues.

SKILLS, EXPERIENCE, EXPERTISE AND TERM OF OFFICE OF EACH DIRECTOR

A profile of each Director containing the applicable information is set out in the Directors' Report.

IDENTIFICATION OF INDEPENDENT DIRECTORS

There are currently no Directors considered to be independent. The Board will consider the appointment of independent Directors if deemed appropriate depending on the scope and scale of its operations.

STATEMENT CONCERNING AVAILABILITY OF INDEPENDENT PROFESSIONAL ADVICE

Subject to the approval of the other Directors an individual Director may engage an outside adviser at the expense of Bass Metals Ltd for the purposes of seeking independent advice in appropriate circumstances.

NAMES OF NOMINATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carries out the functions of the Nomination Committee. The Board did not convene formally as the Nomination Committee during the Reporting Period, but rather, discussed relevant issues on an as-required basis.

NAMES AND QUALIFICATIONS OF AUDIT COMMITTEE MEMBERS

The full Board performs the functions of the Audit Committee.

NUMBER OF AUDIT COMMITTEE MEETINGS AND NAMES OF ATTENDEES

During the reporting period Mr Rosenstreich met with the external auditors in respect of the half year and full year financial reports.

CONFIRMATION WHETHER PERFORMANCE EVALUATION OF THE BOARD AND ITS MEMBERS HAVE TAKEN PLACE AND HOW CONDUCTED

During the Reporting Period an evaluation of the Board was conducted as an informal review during regular meetings of the Board. A formal evaluation process is being implemented.

COMPANY'S REMUNERATION POLICIES

All of the non-executive Directors received a separate Directors' fee plus statutory superannuation. There is no direct link between remuneration paid to any of the Directors and corporate performance such as bonus payments for achievements of key performance indicators.

Remuneration of Directors and key executives is competitively set with the assistance of externally prepared surveys and reports, taking into account the experience and qualifications of each individual.

NAMES OF REMUNERATION COMMITTEE MEMBERS AND THEIR ATTENDANCE AT COMMITTEE MEETINGS

The full Board carried out the function of the Remuneration Committee. During the Reporting Period, the Board did not convene formally as the Remuneration Committee, but rather, dealt with remuneration-related issues on an as-required basis during regular meetings of the Board.

EXISTENCE AND TERMS OF ANY SCHEMES FOR RETIREMENT BENEFITS FOR NON-EXECUTIVE DIRECTORS

There are currently no retirement benefits for non-executive Directors.

DIRECTORS' REPORT

Your Directors submit their report on Bass Metals Ltd for the financial year ended 30 June 2006.

Bass Metals Ltd ("BSM" or the "Company") is a company limited by shares that is incorporated and domiciled in Australia.

DIRECTORS

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

MR DON BOYER

Non-executive Chairman (independent)

BSc (Hons), CP Geo, FAIMM, MAIG, MAICD

Appointed - 2 August 2004

Mr Boyer is a geologist and resource company manager with over 34 years experience in gold and base metals exploration and management of resource projects in Australia and overseas.

He has considerable experience in exploration management, project management and assessment, feasibility studies and development analysis. His experience includes responsibility for technical operations from project acquisition through discovery to production and has been instrumental in the listing of a number of successful junior exploration companies.

Mr Boyer was Managing Director of Gilt-Edged Mining NL, from its listing in 1996 until the successful take-over of that company by Goldfields Limited in 2000 and has held management positions in various companies including MIM Holdings Limited's exploration division, a subsidiary of the French group COGEMA, and a number of listed Australian resource companies, including most recently the Managing Director position with Australian Mines Ltd.

He is currently the non-executive chairman of Midas Resources Ltd.

MR MIKE ROSENSTREICH

Managing Director

BSc(Hons), MMEE, MAIMM

Appointed - 15 December 2004

Mr Rosenstreich has a strong combination of technical and commercial skills gained over the past 20 years in the banking and mining sectors. He is a geologist with 12 years of experience gained in both exploration and mining roles including senior management positions with companies including Homestake Mining, Dominion Mining and Consolidated Gold.

Since then he was a senior member of the Rothschild resource finance team where he was involved in domestic and offshore project and corporate financings covering a range of commodity types. He left Rothschild in late 2002 to become involved with several junior and start-up resources companies in management, corporate advisory and technical consulting roles.

Graduating in 1984 from Otago University (NZ) with an Honours degree in Geology, he went on to complete a Masters of Mineral and Energy Economics at Macquarie University in 1996. He is a member of the Australian Institute of Mining and Metallurgy.

MR CRAIG MCGOWN

Non-executive Director

B. Comm, FCA, ASIA

Appointed – 7 July 2004

Mr McGown has more than 30 years experience in corporate finance, covering mergers and acquisitions, capital raisings in both domestic and international financial markets, asset acquisitions and asset disposals, initial public offerings and corporate restructurings.

He holds a Bachelor of Commerce degree from the University of Western Australia, is a Fellow of the Institute of Chartered Accountants and an Affiliate of the Financial Services Institute of Australasia (FINSIA).

Mr McGown has significant experience with capital raisings in both domestic and foreign financial markets and has been involved in a number of successful capital raising transactions. Craig has also served on the Boards of a number of listed and unlisted companies including Resource Finance Corporation Limited as an executive director. He is currently executive chairman of DJ Carmichael Pty Limited.

MR KIERAN RODGERS

Non-executive Director

B.E. (Hons.) Min. (UNSW), MBA (IMD)

Appointed – 21 March 2005

Mr Rodgers is the current Chief Financial Officer and Business Development Manager of Intec. He joined Intec in March 2001 after 13 years of experience in merchant banking and financial consulting, largely with Resource Finance Corporation Ltd, with a specific focus on the Australian and international resources industry.

Prior to entering the merchant banking sector, he gained three years of operational mining engineering experience in the gold and base metals industries, including at the Cobar copper mine.

MS SUSAN HUNTER

Company Secretary

BCom, ACA, FFSIA(Dip), MAICD(Dip), ACIS(Dip)

Appointed – 28 September 2006

Ms. Susan Hunter has over 12 years experience in the corporate finance industry. Ms. Hunter is a Chartered Accountant, member of the Institute of Company Directors, associate of the Securities Institute of Australia and is an Associate Director of consulting firm Norvest Corporate Pty Ltd. Ms. Hunter is also a Member of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia and she is currently Company Secretary for three listed companies and several unlisted public companies.

PRINCIPAL ACTIVITIES

During the period the principal activities of the Company consisted of mineral exploration and evaluation of properties in Australia. There has been no significant change in these activities during the financial period.

DIVIDENDS

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

RESULT FOR THE FINANCIAL PERIOD

Loss from ordinary activities after income tax expense was \$696,331 (2005: \$268,418).

REVIEW OF OPERATIONS

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

REMUNERATION REPORT (AUDITED)

This report details the amount and nature of remuneration of each Director of the Company and the executives receiving the highest remuneration.

REMUNERATION POLICY

The principles used to determine the nature and amount of remuneration are applied through a remuneration policy which ensures the remuneration package properly reflects the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of the highest quality.

The remuneration policy, setting the terms and conditions for the executive Directors and other executives has been developed by the Board after seeking professional advice and taking into account market conditions and comparable salary levels for companies of a similar size and operating in similar sectors.

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The Board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in aligning Director and executive objectives with shareholder and businesses objectives.

The remuneration framework has regard to shareholders' interests in the following ways:

- ✧ Focuses on sustained growth as well as focusing the executive on key non-financial drivers of value, and
- ✧ Attracts and retains high calibre executives.

The remuneration framework has regard to executives' interests in the following ways:

- ✧ Rewards capability and experience,
- ✧ Reflects competitive reward for contributions to shareholder growth,
- ✧ Provides a clear structure for earning rewards, and
- ✧ Provides recognition for contribution.

NON-EXECUTIVE DIRECTORS

The Board policy is to remunerate non-executive Directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Directors is subject to approval by shareholders at a General Meeting. Fees for non-executive Directors are not linked to the performance of the economic entity. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and may receive options.

The Directors have resolved that non-executive Director's fees will be \$65,000 per annum for the Chairman and \$40,000 per annum for non - executive Directors, inclusive of statutory superannuation contributions. Shareholders have approved aggregate remuneration for all non-executive Directors at an amount of \$250,000 per annum. Superannuation contributions of 9% are paid on these fees as required by law.

In addition, remuneration consists of long term incentives, by way of the issue of options. Non-executive Directors are also eligible for participation in the Bass Metals Ltd Share Purchase Plan and the Bass Metals Ltd Employee Option Plan.

EXECUTIVES

Executive Directors and executives receive either a salary plus superannuation guarantee contributions as required by law, currently set at 9%, or provide their services via a consultancy arrangement. Directors and executives do not receive any retirement benefits. Individuals may, however, choose to sacrifice part of their salary to increase payments towards superannuation. In addition long term incentives are received through participation in the Bass Metals Ltd Share Purchase Plan and the Bass Metals Ltd Employee Option Plan.

All remuneration paid to Directors and executives is valued at cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

BASE SALARY

Structured as a total employment cost package comprising cash, leave benefits and superannuation. Executives' remuneration is reviewed annually with regard to competitiveness and performance.

There are no guaranteed salary increases fixed in any senior executives' contracts.

BENEFITS

Executives may receive reimbursements of out-of-pocket expenses incurred in the undertaking of their duties, including reasonable travel, accommodation and entertainment expenses.

BASS METALS LTD SHARE PURCHASE PLAN

Information on the Bass Metals Ltd Share Purchase Plan is set out in Note 16 (i).

BASS METALS LTD EMPLOYEE OPTION PLAN

Information on the Bass Metals Ltd Employee Option Plan is set out in Note 16 (ii).

COMPENSATION OF KEY MANAGEMENT PERSONNEL FOR THE YEAR ENDED 30 JUNE 2006.

Details of Directors and Company Executives (including Key Management Personnel)

Other than the Executive Directors, no other person is concerned in, or takes part in, the management of the Company, or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 ("Act"). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

DIRECTORS' REPORT (CONTINUED)

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

		Short-term Benefits	Post employment benefits	Share-based payments Value of options	Total
Directors					
Specified Directors					
Executive					
Mr M Rosenstreich	2006	154,396	10,656	-	165,052
	2005	64,000	-	13,720	77,720
Non-Executive					
Mr D Boyer	2006	34,404	3,096	-	37,500
	2005	-	-	19,600	19,600
Mr C McGown	2006	17,391	-	-	17,391
	2005	-	-	15,680	15,680
Mr K Rodgers	2006	17,391	-	-	17,391
	2005	-	-	9,800	9,800
Total Specified Directors	2006	223,582	13,752	-	237,334
	2005	64,000	-	58,800	122,800
Specified Executives					
Mr D Kelly	2006	70,203	-	-	70,203
	2005	5,618	-	9,800	15,418
Mr A Pattison	2006	-	-	-	-
	2005	-	-	9,800	9,800
Mr A Walsh	2006	5,000	-	-	5,000
	2005	-	-	-	-
Total Specified Executives	2006	75,203	-	-	75,203
	2005	5,618	-	19,600	25,218

The fair value of the options is calculated at the date of grant using the Black-Scholes model and allocated to each reporting period equally over the period from grant date to vesting date. The value disclosed above is a portion of the fair value of the options allocated to this reporting period. The term 'director' and 'executive officer' have been treated as mutually exclusive for the purposes of this disclosure.

EMPLOYMENT CONTRACTS

The Managing Director, Mr Mike Rosenstreich, is retained via a employment contract dated 28 July 2005 and is valid for three years. This agreement provides for a total package amount inclusive of prescribed superannuation and for participation in the Company's Share Purchase Plan and Employee Option Plan. The cash remuneration paid under the agreement is \$210,000 per annum.

OPTIONS GRANTED TO DIRECTORS AND SENIOR EXECUTIVES

Details of options over ordinary shares provided as remuneration to each Director and specified executives of the Company are set out below. When exercised each option is convertible to one ordinary share in Bass Metals Ltd.

	Balance at the start of the period	Issued during the period	Exercised during the period	Expired during the period	Balance at the end of the period	Vested and exercisable at the end of the period
Directors						
Mr D Boyer	500,000	-	-	-	500,000	500,000
Mr M Rosenstreich	350,000	1,050,000	-	-	1,400,000	350,000
Mr C McGown	400,000	-	-	-	400,000	400,000
Mr K Rodgers	250,000	-	-	-	250,000	250,000
	1,500,000	1,050,000	-	-	2,550,000	1,500,000
Specified Executives						
Mr D Kelly	250,000	-	-	(125,000)	125,000	125,000
Mr A Pattison	250,000	-	-	-	250,000	250,000
	500,000	-	-	(125,000)	375,000	375,000

The exercise price of all options shown above is 25 cents except for 700,000 options held by Mr M Rosenstreich, of which 350,000 are exercisable at 30 cents and 350,000 are exercisable at 35 cents.

OPTIONS ISSUED AS PART OF REMUNERATION FOR THE YEAR ENDED 30 JUNE 2006

Options are issued to Directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of Directors and executives of Bass Metals Ltd to increase goal congruence between executives, Directors and shareholders.

	Granted No.	Options Granted as Part of Remuneration \$	Total Remuneration Represented by Options %	Options Exercised \$	Options Lapsed (\$)	Total \$
Director						
Mr Michael Rosenstreich ¹	1,050,000	-	0%	-	-	-

Note 1 - at the date of this report, none of these options have vested and therefore no value has been attributed to them. These options vest when the share price of the Company reaches 35 cents, 40 cents and 45 cents in three tranches of 350,000 options.

SHARE OPTIONS

5,725,000 options over unissued ordinary shares with exercise prices of between \$0.25 and \$0.35 were granted during or since the end of the financial year.

At the date of this report unissued ordinary shares of the Company under option are:

Grant Date	Date of Expiry	Exercise Price	Number under Option
05-Aug-04	31-Jul-07	25 cents	1,750,000
21-Mar-05	31-Jul-07	25 cents	1,500,000
30-Jun-05	31-Dec-07	25 cents	2,000,000
30-Jun-06	31-Jul-07	25 cents	375,000
18-Oct-05	31-Jul-07	25 cents	4,525,000
18-Oct-05	31-Dec-07	25 cents	350,000
18-Oct-05	31-Dec-07	30 cents	350,000
18-Oct-05	31-Dec-07	35 cents	350,000
30-Nov-05	31-Dec-07	25 cents	50,000
15-May-06	31-Dec-07	25 cents	100,000
			11,350,000

DIRECTORS' INTEREST

The relevant interest of each Director in the shares and options over shares issued by the Company at the date of this report is as follows:

Director	Ordinary Shares		Options	
	Direct	Indirect	Direct	Indirect
Mr D Boyer	493,000	10,000	527,500	2,500
Mr M Rosenstreich	350,000	-	1,425,000	-
Mr C McGown	10,001	879,530	2,500	437,500
Mr K Rodgers	48,108	8,025,946	-	2,250,000

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Comment on likely developments and expected results from the consolidated entity's activities are set out in the Review of Operations.

COMPANY PERFORMANCE

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

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no other significant changes in the state of affairs of the Company other than those noted in the review of operations.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

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

- ✱ The Company will continue to secure a strategic land position incorporating a full spectrum of targets from advanced drill ready prospects to conceptual large scale anomalies.
- ✱ Plans are in place for a December quarter start on a development on the Company's advanced Que River project.

ENVIRONMENTAL REGULATION

The Company is subject to environmental regulation in respect of its exploration activities. The Company makes every effort to comply with the relevant regulations.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's Directors held during the period ended 30 June 2006 and the number of meetings attended by each Director.

Director	Directors' Meetings	
	A	B
Mr Don Boyer	11	11
Mr Michael Rosenstreich	11	11
Mr Craig McGown	11	11
Mr Kieran Rodgers	10	11

A - meetings attended

B - meetings held whilst a Director

As at the date of this report the Company has not formed any committees as the Directors consider that at present the size of the Company does not warrant such. Audit, corporate governance, Director nomination and remuneration matters are all handled by the full Board.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

INDEMNIFICATION

The Company has agreed to indemnify current Directors and officers and past Directors and officers against all liabilities to another person (other than the Company or a related body corporate), including legal expenses that may arise from their position as directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

INSURANCE

The Directors have not included details of the amount of the premium paid in respect of the directors' and officers' liability insurance contracts, as such disclosure is prohibited under the terms of the contract.

EVENTS SUBSEQUENT TO REPORTING DATE

The following significant event has taken place since the end of the financial period:

- ⌘ On 5 July 2006, the Company entered into an agreement to issue 6,400,000 ordinary shares and pay \$300,000 to Saracen Mineral Holdings Limited in consideration for exploration tenements in the Hellyer region of Tasmania
- ⌘ On 10 August 2006 the Company announced it had negotiated the placement of 20,000,000 ordinary shares at an issue price of 16 cents to raise capital to fund the Company's exploration activities.

Other than the above, no matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

NON-AUDIT SERVICES

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

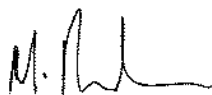
- ⌘ all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- ⌘ the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

The fees for non-audit services paid/payable to the external auditors during the year ended 30 June 2006 is set out in Note 21.

AUDITORS INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires the Company's auditors, Bentleys MRI Perth Partnership, to provide the Directors with a written Independence Declaration in relation to their audit of the financial report for the year ended 30 June 2006. This written Auditor's Independence Declaration is attached to the Auditor's Independent Audit Report to the members and forms part of this Director's Report.

Signed in accordance with a resolution of Directors.



M ROSENSTREICH

Managing Director

West Perth, Western Australia

29 September 2006

INCOME
STATEMENT
FOR THE YEAR ENDED
30 JUNE 2006

	Note	2006 \$	2005 \$
Revenue from continuing operations	2	137,685	16,867
Employee benefits expense		4,900	(78,400)
Depreciation expense		(12,521)	(406)
Office and administration costs		(586,137)	(197,068)
Finance costs		(1,869)	(3,190)
Impairment of capitalised exploration expenditure		(238,389)	(6,221)
Loss before income tax		(696,331)	(268,418)
Income tax expense	4	-	-
Loss attributable to members of Bass Metals Ltd	3	(696,331)	(268,418)
Basic and diluted loss per share (cents per share)	5	(2.3)	(4.1)

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

BALANCE SHEET

AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	6	1,279,180	517,476
Trade and other receivables	7	85,333	25,436
Total Current Assets		1,364,513	542,912
NON-CURRENT ASSETS			
Trade and other receivables	7	148,600	85,000
Plant & equipment	8	143,974	17,499
Exploration and evaluation expenditure	9	3,451,110	1,537,116
Total Non-Current Assets		3,743,684	1,639,615
TOTAL ASSETS		5,108,197	2,182,527
CURRENT LIABILITIES			
Trade and other payables	11	289,786	70,489
Short-term borrowings	12	18,127	-
Provisions	13	3,291	-
Total Current Liabilities		311,204	70,489
NON-CURRENT LIABILITIES			
Long-term borrowings	12	85,688	-
Total Non-Current Liabilities		85,688	-
TOTAL LIABILITIES		396,892	70,489
NET ASSETS		4,711,305	2,112,038
EQUITY			
Issued capital	14	5,516,114	2,230,256
Reserves	15	159,940	150,200
Accumulated losses		(964,749)	(268,418)
TOTAL EQUITY		4,711,305	2,112,038

The above Balance Sheet should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED
30 JUNE 2006

	Share Capital Ordinary \$	Accumulated Losses \$	Other Reserves \$	Total \$
Balance at 1 July 2004	-	-	-	-
Initial shares issued	23	-	-	23
Shares issued in placements	1,232,500	-	-	1,232,500
Conversion of partly paid shares	1,050,000	-	-	1,050,000
Transaction costs	(52,267)	-	-	(52,267)
Share based payments	-	-	150,200	150,200
Loss attributable to members of Bass Metals Ltd	-	(268,418)	-	(268,418)
Balance at 30 June 2005	2,230,256	(268,418)	150,200	2,112,038
Balance at 1 July 2005	2,230,256	(268,418)	150,200	2,112,038
Shares issued during the year	3,630,159	-	-	3,630,159
Transaction costs	(344,301)	-	-	(344,301)
Share based payments	-	-	9,740	9,740
Loss attributable to members of Bass Metals Ltd	-	(696,331)	-	(696,331)
Balance at 30 June 2006	5,516,114	(964,749)	159,940	4,711,305

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

CASH FLOW STATEMENT

FOR THE YEAR ENDED

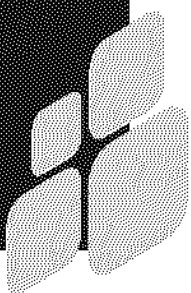
30 JUNE 2006

	Note	2006 \$	2005 \$
Cash Flows from Operating Activities			
Payments to suppliers and employees		(629,632)	(154,235)
Interest received		107,207	15,898
Interest paid		(1,869)	-
Other security deposits		(26,100)	(85,000)
Net cash outflow from operating activities	22(i)	(550,394)	(223,337)
Cash Flows from Investing Activities			
Payment for property, plant and equipment		(35,011)	(17,906)
Payment for exploration properties		-	(68,067)
Expenditure on exploration		(1,808,590)	(203,470)
Net cash outflow from investing activities		(1,843,601)	(289,443)
Cash Flows from Financing Activities			
Issue of new shares		3,500,000	1,082,523
Share issue costs		(344,301)	(52,267)
Net cash inflow from financing activities		3,155,699	1,030,256
Net increase in cash held		761,704	517,476
Cash at the beginning of the financial year		517,476	-
Cash at the end of the financial year	6	1,279,180	517,476

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

NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2006



1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Bass Metals Ltd. Bass Metals Ltd is a listed public company, incorporated and domiciled in Australia.

The financial report of Bass Metals Ltd complies with all Australian equivalents to International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) BASIS OF PREPARATION

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (AIFRS)

This financial report is the first Bass Metals Ltd financial report prepared in accordance with AIFRS. AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been applied in preparing these financial statements.

Financial statements of Bass Metals Ltd until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing this financial report for the year ended 30 June 2006, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. A reconciliation of equity and profit and loss between previous AGAAP and Australian equivalents to IFRS has been prepared per note 1 (p).

Historical Cost Convention

The financial report has been prepared under the historical cost convention, as modified where applicable by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit and loss, certain classes of property, plant & equipment and investments property.

(b) PLANT & EQUIPMENT

Plant and equipment is measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant & equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. Recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is calculated on the prime cost method and is brought to account over the estimated useful lives of all plant and equipment from the time the asset is held ready for use. The depreciation rates used are:

Office furniture	20%
Office computer equipment	33.33%

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

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement when revalued assets are sold, amounts included in the revaluation reserve relating to the assets are then transferred to accumulated losses.

(c) INCOME TAX

The Company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from operations adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(d) CASH & CASH EQUIVALENTS

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts.

(e) ACQUISITION OF ASSETS

The purchase method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of the acquisition plus costs incidental to the acquisition.

Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(f) IMPAIRMENT OF ASSETS

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

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

(g) FINANCIAL INSTRUMENTS*Recognition*

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available for sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) EXPLORATION AND EVALUATION EXPENDITURE

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

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

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(i) EMPLOYEE ENTITLEMENTS

(i) Salaries, wages and annual leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in other creditors in respect to employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

(ii) Equity based compensation benefits are provided to employees via the Bass Metals Ltd Share Purchase Plan and the Bass Metals Ltd Employee Option Plan.

Issues of employee options are brought to account through the Income Statement. At the time of exercise, the amounts receivable from employees are recognised in the Balance Sheet as share capital.

(j) TRADE RECEIVABLES

All trade debtors are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

A provision for doubtful debts is raised where some doubt as to collection exists.

(k) TRADE CREDITORS

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(l) LEASED NON-CURRENT ASSETS

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets, and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments are charged to the Income Statement in the periods in which they are incurred, as this represents the pattern of benefits derived from the leased assets.

(m) REVENUE RECOGNITION

Amounts disclosed as revenue are net of duties and taxes paid. Revenue is recognised as follows:

(i) Interest

Interest earned is recognised as and when it is receivable, including interest which is accrued and is readily convertible to cash within two working days. Accrued interest is recorded as part of other debtors.

(ii) Sundry income

Sundry income is recognised as and when it is receivable. Income receivable, but not received at balance date, is recorded as part of other debtors.

(n) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

(o) BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) IMPACT OF ADOPTION OF AIFRS

For all periods up to and including the year ended 30 June 2005, the Company prepared its financial statements in accordance with Australian Accounting Standards applicable before 1 January 2005 ("AGAAP"). These financial statements for the year ended 30 June 2006 are the first year financial statements the Company is required to prepare in accordance with AIFRS.

Accordingly, the Company has prepared financial statements that comply with applicable accounting standards and other mandatory professional reporting requirements applicable for periods beginning on or after 1 January 2005.

In preparing these financial statements, the Company has started from an opening balance sheet at 1 July 2004, the Company's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 "First-time adoption of AIFRS".

(i) *Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRS (AIFRS)*

- *At the date of transition to AIFRS: 1 July 2004*

The Company was incorporated on 7 July 2004 and thus there is no transition at this date.

- *At the end of the last reporting period under previous AGAAP: 30 June 2005*

	Note	Previous AGAAP 2005 \$	Effect of transition to AIFRS \$	AIFRS 2005 \$
CURRENT ASSETS				
Cash and cash equivalents		517,476	-	517,476
Trade and other receivables		24,585	-	24,585
Prepayments		851	-	851
Total Current Assets		542,912	-	542,912
NON-CURRENT ASSETS				
Receivables		85,000	-	85,000
Plant & equipment		17,499	-	17,499
Exploration and evaluation expenditure		1,537,116	-	1,537,116
Total Non-Current Assets		1,639,615	-	1,639,615
TOTAL ASSETS		2,182,527	-	2,182,527
CURRENT LIABILITIES				
Trade and other payables		70,489	-	70,489
Total Current Liabilities		70,489	-	70,489
NON-CURRENT LIABILITIES				
Lease Liabilities		-	-	-
Total Non-Current Liabilities		-	-	-
TOTAL LIABILITIES		70,489	-	70,489
NET ASSETS		2,112,038	-	2,112,038
EQUITY				
Issued capital		2,230,256	-	2,230,256
Reserves	1	71,800	78,400	150,200
Accumulated losses	1	(190,018)	(78,400)	(268,418)
TOTAL EQUITY		2,112,038	-	2,112,038

(ii) Reconciliation of loss under previous AGAAP to loss under AIFRS

- Reconciliation of loss for the year ended 30 June 2005:

	Note	Previous AGAAP 2005 \$	Effect of transition to AIFRS \$	AIFRS 2005 \$
Revenue from continuing operations		16,867	-	16,867
Employee benefits expense	2	-	(78,400)	(78,400)
Depreciation expense		(406)	-	(406)
Office and administration costs		(200,258)	-	(200,258)
Project evaluation expenses		(6,221)	-	(6,221)
Loss before income tax		(190,018)		(268,418)
Income tax expense		-	-	-
Loss attributable to members of Bass Metals Ltd		(190,018)	-	(268,418)

(iii) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRS has not resulted in any material adjustments to the cash flow statement.

*Notes to the reconciliations**Share based payments*

Under AASB 2 Share Based Payments from 1 July 2004 the Company is required to recognise an expense for those options that were issued to Directors.

1. At 30 June 2005 there has been an increase of \$78,400 in accumulated losses and a corresponding increase in reserves.
2. At 30 June 2005 there has been an increase in employee benefits expense of \$78,400.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) APPLICATION OF ACCOUNTING STANDARDS

Australian Accounting Standards that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of Change to Accounting Policy	Application Date of Standard*	Application Date for Group
2004 – 3	AASB 1 First-time Adoption of AIFRS, AASB 101 Presentation of Financial Statements, AASB 124 Related Party Disclosures	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 1	AASB 139 "Financial Instruments: Recognition and Measurement"	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 4	AASB 1 "First Time Adoption of AIFRS" AASB 139 "Financial Instruments: Recognition and Measurement"	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 5	AASB 1 "First Time Adoption of AIFRS" AASB 139 "Financial Instruments: Recognition and Measurement"	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 6	AASB 3 "Business Combinations"	No change to accounting policy required. Therefore no impact.	1 Jan 06	1 Jul 06
2005 – 10	AASB 132 "Financial Instruments: Disclosure and Presentation" AASB 101 "Presentation of Financial Statements" AASB 114 "Segment Reporting" AASB 117 "Leases" AASB 133 "Earnings Per Share" AASB 139 "Financial Instruments: Recognition and Measurement" AASB 1 "First Time Adoption of AIFRS" AASB 4 "Insurance Contracts" AASB 1023 "General Insurance Contracts" AASB 1038 "Life Insurance Contracts"	No change to accounting policy required. Therefore no impact.	1 Jan 07	1 Jul 07
New standard	AASB 7 "Financial Instruments: Disclosures"	No change to accounting policy required. Therefore no impact.	1 Jan 07	1 Jul 07

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

AASB Amendment	Affected Standard(s)
New Standard	AASB 119 Employee Benefits (Revised Dec 04) – Accounting policy options contained within the revised standard affect accounting for defined benefit schemes only. As Bass Metals Ltd do not have or do not contribute to a defined benefit scheme, there is no impact of this change.
2005 – 2	AASB 1023 General Insurance Contracts
2005 – 4	AASB 132 Financial Instruments – Disclosure and Presentation, AASB 1023 General Insurance Contracts and AASB 1028 Life Insurance Contracts
2005 – 9	AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 139 Financial Instruments – Recognition and Measurement and AASB 132 Financial Instruments – Disclosure and Presentation
2005 – 12	AASB 1038 Life Insurance Contracts and AASB 1023 General Insurance Contracts
2005 – 13	AAS 25 Financial Reporting by Superannuation Plans

2. REVENUE

Continuing Operations

- finance income (bank interest)
- other revenue

Total Revenue

2006 \$	2005 \$
107,207	15,898
30,478	969
137,685	16,867

3. LOSS

Expenses – Continuing Operations

Finance costs:

- external

Contribution plan superannuation expense

Depreciation and amortisation expense

- plant and equipment

Rental expense on operating lease:

- minimum lease payments

Impairment of capitalised exploration expenditure

(1,869)	(3,190)
(31,892)	-
(12,521)	(406)
(189)	-
(238,389)	(6,221)

	2006 \$	2005 \$
4. INCOME TAX		
The prima facie tax on loss from ordinary activities before income tax is reconciled as follows:		
Prima facie tax benefit on loss from ordinary activities before income tax at 30% (2005: 30%)	(208,899)	(80,525)
Add:		
Tax effect of:		
- non deductible expenditure	4,860	1,949
- equity based payments	2,922	23,520
Less:		
Tax effect of:		
- share issue expenses	(23,794)	(3,136)
Less:	(224,911)	(58,192)
Tax effect of:		
- exploration expenditure and evaluation	(574,198)	(461,135)
Deferred tax asset not brought to account	799,109	519,327
Income tax benefit attributable to loss from ordinary activities before tax	-	-

The potential deferred tax asset relating to tax losses amounting to \$1,318,436 (2005:\$519,327) and temporary differences amounting to \$94,876 (2005: \$13,444) which have been offset by the potential deferred tax liability of temporary differences amounting to \$1,035,333 (2005: \$461,135) has not been brought to account in these financial statements the benefits of which will only be realised if the conditions for deducibility set out in Note 1(c) occur.

	2006 Cents	2005 Cents
5. LOSS PER SHARE		
Basic and diluted loss per share (cents per share)	(2.3)	(4.1)
Loss used in the calculation of basic EPS	(696,331)	(268,418)
Weighted average number of shares outstanding during the year used in calculations of basic loss per share	30,880,414	6,586,989

Diluted loss per share has not been disclosed as it is not materially different from basic loss per share

	2006 \$	2005 \$
6. CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	83,859	517,476
Short term bank deposit	1,195,321	-
	1,279,180	517,476

	2006 \$	2005 \$
7. RECEIVABLES		
Current		
Other receivables	57,311	24,585
Prepayments	28,022	851
	<u>85,333</u>	<u>25,436</u>
Non-Current		
Tenement security deposits ¹	111,100	85,000
Loan to key management personnel ²	37,500	-
	<u>148,600</u>	<u>85,000</u>

- Tenement security deposits are held in fixed term deposits of three months duration. These amounts are not available for use and thus do not constitute cash assets.*
- Further information relating to the loan to key management personnel is set out in Note 19(iv).*

8. PLANT & EQUIPMENT

Plant and Equipment		
Cost	53,710	17,905
Accumulated depreciation	(12,740)	(406)
	<u>40,970</u>	<u>17,499</u>
Leased Plant & Equipment		
Cost	103,020	-
Accumulated depreciation	(16)	-
	<u>103,004</u>	<u>-</u>
Total Property Plant and Equipment	<u>143,974</u>	<u>17,499</u>

Reconciliations of the carrying amounts of each class of property, plant & equipment at the beginning and end of the current financial period is as set out below:

	Plant & Equipment	Leased Plant & Equipment	Total
Balance at the beginning of year	17,499	-	17,499
Additions	35,806	103,020	138,826
Disposals	-	-	-
Depreciation expense	(12,335)	(16)	(12,351)
Carrying amount at the end of the year	<u>40,970</u>	<u>103,004</u>	<u>143,974</u>

	2006 \$	2005 \$
9. EXPLORATION AND EVALUATION EXPENDITURE		
The Company has mineral exploration costs carried forward in respect of areas of interest currently in the phase of exploration and evaluation:		
Balance at the beginning of the period	1,537,116	-
Exploration properties acquired	107,300	1,334,867
Expenditure incurred for the period	2,045,083	208,470
Impairment losses during the period	(238,389)	(6,221)
Balance at the end of the period	3,451,110	1,537,116

Ultimate recoupment of costs carried forward in respect of areas of interest in the exploration and evaluation phase is dependent on successful development and commercial exploitation, or alternatively, sale of respective areas at an amount at least equivalent to the carrying value.

10. INTERESTS IN JOINT VENTURES

Joint venture agreements have been entered into with third parties, whereby BSM can earn an interest in exploration areas by expending specified amounts in the exploration areas. The Company's percentage interests in the future output of the joint ventures, if all its obligations are fulfilled are as follows:

Partner	Licence	Interest
Adamus Resources Ltd	EL28/2002 Bonds Range	60%
Adamus Resources Ltd	EL29/2002 Selina	60%
Geoinformatics Exploration Inc.	EL51/2004 Wilmot	75%
Geoinformatics Exploration Inc.	EL52/2004 Loyetee	75%
Geoinformatics Exploration Inc.	EL53/2004 Leven River	75%
Geoinformatics Exploration Inc.	EL54/2004 North Rosebery	75%
Geoinformatics Exploration Inc.	EL63/2004 Oonah	75%
Geoinformatics Exploration Inc.	EL64/2004 Waratah	75%
Geoinformatics Exploration Inc.	EL2/2005 Lynchford	75%
Geoinformatics Exploration Inc.	EL3/2005 Huskisson	75%
Geoinformatics Exploration Inc.	EL4/2005 Highclere	75%
Geoinformatics Exploration Inc.	EL38/2005 Grass Ridge	75%
Geoinformatics Exploration Inc.	ELA36/2005 Paradise River	75%
Geoinformatics Exploration Inc.	ELA16/2006 Pinnacles	75%
Pioneer Nickel Limited	EL31/2003-Heazlewood	70%
Pioneer Nickel Limited	EL36/2003 Whyte River	70%

BSM considers that it has met its all obligations for the Adamus and Pioneer joint ventures described above and is in the process of formalising its equity position. With respect to the Geoinformatics joint venture BSM acquired its interest through the issue of shares and has made a commitment to meet the first year's expenditure commitment which falls due in the coming financial year.

	Note	2006 \$	2005 \$
11. TRADE AND OTHER PAYABLES			
Current			
Unsecured liabilities			
Trade payables		280,640	23,122
Sundry payables and accrued expenses		9,146	47,367
		<u>289,786</u>	<u>70,489</u>
12. BORROWINGS			
Current			
Lease Liability		18,127	-
Non Current			
Lease Liability		85,688	-
	17	<u>103,815</u>	<u>-</u>
13. PROVISIONS			
Current			
Employee entitlements		3,291	-

A provision has been recognised for employee entitlements relating to annual and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

	2006 \$	2005 \$
14. ISSUED CAPITAL		
36,600,003 (Jun 2005: 18,250,003) fully paid ordinary shares	5,516,114	2,230,256

Ordinary shares

The Company has 36,600,003 fully paid ordinary shares of no par value.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the 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.

	2006 No.	2005 No.
(a) Ordinary shares – number		
At the beginning of the reporting period	18,250,003	-
Issue of initial shares – 8 July 2004	-	2
Issue of initial shares – 8 July 2004	-	1
Issued pursuant to placement – 20 July 2004	-	3,250,000
Conversion of partly paid shares to fully paid – 21 March 2005	-	7,000,000
Issued pursuant to placement – 19 April 2005	-	8,000,000
Issue of shares pursuant to a prospectus – 18 October 2005	17,500,000	-
Issue of shares to Geoinformatics – consideration for option – 18 October 2005	150,000	-
Issue of shares to Managing Director for cash – loan by company under SPP – 18 October 2005	250,000	-
Issue of shares to Geoinformatics – consideration for option (price at weighted average) – 30 November 2005	150,000	-
Issue of shares to Geoinformatics – consideration deemed at 15 cents – 15 May 2006	300,000	-
Balance at 30 June 2006	36,600,003	18,250,003
	2006 \$	2005 \$

(b) Ordinary shares – value		
At the beginning of the reporting period	2,230,256	-
Issue of initial shares – 8 July 2004	-	22
Issue of initial shares – 8 July 2004	-	1
Issued pursuant to placement – 20 July 2004	-	32,500
Conversion of partly paid shares to fully paid – 21 March 2005	-	1,050,000
Issued pursuant to placement – 19 April 2005	-	1,200,000
Issue of shares pursuant to a prospectus – 18 October 2005	3,500,000	-
Issue of shares to Geoinformatics – consideration for option – 18 October 2005	22,500	-
Issue of shares to Managing Director for cash – loan by company under SPP – 18 October 2005	37,500	-
Issue of shares to Geoinformatics – consideration for option (price at weighted average) – 30 November 2005	25,159	-
Issue of shares to Geoinformatics – consideration deemed at 15 cents – 15 May 2006	45,000	-
Less share issue costs	(344,301)	(52,267)
Balance at 30 June 2006	5,516,114	2,230,256

	2006 No.	2005 No.
(c) Partly paid shares – number		
At the beginning of the reporting period	-	-
Issue of partly paid shares pursuant to a prospectus – 5 August 2004	-	7,000,000
Conversion to fully paid shares – 21 March 2005	-	(7,000,000)
Balance at 30 June 2006	-	-
	2006 \$	2005 \$
(d) Partly paid shares – value		
At the beginning of the reporting period	-	-
Issue of partly paid shares pursuant to a prospectus – 5 August 2004	-	350,000
Final call – 21 March 2005	-	700,000
Conversion to fully paid shares – 21 March 2005	-	(1,050,000)
Balance at 30 June 2006	-	-

15. RESERVES

The option reserve records items recognised as expenses on valuation of employee share options. An analysis of movements in this reserve is provided in the Statement of Changes in Equity.

16. SHARE BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2006:

(i) Bass Metals Ltd Share Purchase Plan

The establishment of the Bass Metals Ltd Share Purchase Plan was approved by shareholders at a general meeting held 21 March 2005. The Directors of the Company may in its absolute discretion make offers of shares and, on behalf of the Company, make corresponding loans to an eligible employee of the Company to which the Board has resolved that the Share Purchase Plan shall for the time being apply. The Board may, subject to any approvals of shareholders of the Company required by law, and at intervals determined by the Board, invite any eligible employee to participate in the Share Purchase Plan.

Participation is optional and subject to the Rules of the Plan. Offers made under the Share Purchase Plan are not renounceable. A maximum number of 250,000 shares will apply to each eligible employee. The price per share under the Share Purchase Plan is market value.

There are currently 250,000 shares issued under this Plan.

(ii) Bass Metals Ltd Employee Option Plan

The establishment of the Bass Metals Ltd Employee Option Plan was approved by shareholders at a general meeting held 21 March 2005. The Directors of the Company will administer the Employee Option Plan and in their absolute discretion determine to whom the securities will be offered, the number to be offered and any performance criteria that may apply before options may be exercised.

Options may not be offered to a Director or associates except where approval is given by shareholders at a general meeting.

Options are granted under the plan for no consideration. Options may not be exercised during the initial period of one year from the date of allotment, and will expire no later than five years from the date of allotment. Options issued under the Plan will automatically lapse in 30 days in the event that the eligible person either resigned voluntarily from employment with the Company or is dismissed in certain circumstances.

16. SHARE BASED PAYMENTS (CONTINUED)

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

On exercise, each option is convertible to one ordinary share within 10 business days of the receipt of the exercise notice and payment of the exercise price in Australian dollars. Amounts received on the exercise of options are recognised as share capital.

Set out below is a summary of options granted under this plan.

	2006 Number of Options	2005 Number of Options
Outstanding at the beginning of the year	500,000	-
Granted (exercise price 25 cents, expiry 31 December 2007)	-	500,000
Forfeited	(125,000)	-
Exercised	-	-
Expired	-	-
Outstanding at year-end	375,000	500,000

(iii) Other Options

	2006 Number of Options	Weighted Average Exercise Price \$	2005 Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	5,750,000	0.25	-	-
Granted	5,725,000	0.26	5,750,000	0.25
Forfeited	(125,000)	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Outstanding at year-end	11,350,000	0.25	5,750,000	0.25
Exercisable at year-end	10,300,000	0.25	5,250,000	0.25

Note : Includes options in 16 (ii) above.

The options outstanding at 30 June 2006 had a weighted average exercise price of \$0.25 (2005: \$0.25) and a weighted average remained contractual life of 1.1 years (2005: 2.2 years). Exercise prices range from \$0.25 to \$0.35 in respect of options outstanding.

The weighted average fair value of the options granted during the year was \$14,640 (2005: \$150,200)

This price was calculated by using a Black-Scholes option pricing model applying the following inputs at grant date:

Weighted average exercise price	\$0.25
Weighted average life of the option	1.1 years
Underlying share price	\$0.220
Expected share price volatility	65%
Risk free interest rate	5.74%

Historical volatility has been the basis for determining expected share price volatility as it assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the expiry date, which may not eventuate in the future.

Included under equity based payments expense in the income statement relating to share-based payment is \$14,640 (2005: \$150,200) and relates, in full, to equity-settled share-based payment transactions.

17 FINANCIAL INSTRUMENTS

(i) Credit risk exposure

The credit risk exposure to the Company to financial assets which have been recognised on the balance sheet is not materially different from the carrying amount net of any provision for impairment.

(ii) Interest rate risk exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial asset and financial liability is set out below:

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing			Non- interest bearing	Total
30 June 2006		\$	Within Year	1 to 5 Years	Over 5 Years	\$	\$
Financial Assets:							
Cash & cash equivalents	5.4%	1,279,180	-	-	-	-	1,279,180
Trade and other receivables	4.8%	-	111,100	-	-	122,833	233,933
Total Financial Assets		1,279,180	111,100	-	-	122,833	1,513,113
Financial Liabilities:							
Trade and other payables		-	-	-	-	289,786	289,786
Short-term borrowings	7.3%	-	18,909	84,906	-	-	103,815
Total financial liabilities		-	18,909	84,906	-	289,786	393,601

	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate Maturing			Non- interest bearing	Total
30 June 2005		\$	Within Year	1 to 5 Years	Over 5 Years	\$	\$
Financial Assets:							
Cash & cash equivalents	5.5%	484,288	-	-	-	33,188	517,476
Trade and other receivables	5.4%	-	85,000	-	-	24,858	109,858
Total Financial Assets		484,288	85,000	-	-	58,046	627,334
Financial Liabilities:							
Trade and other payables		-	-	-	-	70,489	70,489
Short-term borrowings		-	-	-	-	-	-
Total financial liabilities		-	-	-	-	70,489	70,489

(iii) Liquidity and Cash Flow Interest Rate Risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow interest rate risk is the risk that future cash flows on a financial instrument will fluctuate because of changes in market interest rates.

To control liquidity and cash flow interest rate risk, the Company invests in financial instruments, which under normal market conditions are readily convertible to cash.

(iv) Net fair value of assets and liabilities

The net fair values of financial assets and financial liabilities of the Company approximate their carrying values.

	2006 \$	2005 \$
18 CAPITAL AND LEASING COMMITMENTS		
(i) Finance Lease Commitments		
Payable – minimum lease payments		
– not later than 12 months	25,062	-
– between 12 months and 5 years	95,695	-
Minimum lease payments	120,757	-
Less future finance charges	(16,942)	-
Present value of minimum lease payments	103,815	-

The Company entered into two motor vehicle finance leases in April/May 2006. There are monthly repayments and both lease terms are 3 years expiring in April/May 2009. Both motor vehicles have a residual amount that will be payable at the end of the lease term.

(ii) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable – minimum lease payments

– not later than 12 months	19,440	-
– between 12 months and 5 years	24,300	-
	43,740	-

The Company entered into an operating lease on 30 September 2005 for office space it occupies in West Perth. The term of the lease is three (3) years and expires on 29 September 2008.

(iii) Capital expenditure commitments contracted for:

Exploration Tenements

In order to maintain current rights of tenure to exploration tenements, the Company is required to outlay rentals and to meet the minimum expenditure requirements of Mineral Resources Tasmania. These obligations are not provided for in the financial statements and are payable:

– not later than 12 months	1,167,230	758,484
– between 12 months and 5 years	2,002,375	755,361
– greater than 5 years	3,169,605	1,513,845

19. KEY MANAGEMENT PERSONNEL

(i) Details of Key Management Personnel

Chairman – non-executive

Mr D Boyer (from 2 August 2004)

Executive Director

Mr M Rosenstreich (from 15 December 2004)

Non-executive Directors

Mr C McGown (from 7 July 2004)

Mr K Rodgers (from 21 March 2005)

Other Key Management Personnel

Mr D Kelly – Company Secretary (resigned 6 June 2006)

Mr T Walsh – Company Secretary (appointed 6 June 2006 and resigned 28 September 2006)

(ii) Compensation of Key Management Personnel

The Company has applied the exemption under Corporations Amendments Regulation 2005 which exempts listed entities from providing remuneration disclosures in relation to their specified directors in their annual financial reports by Accounting Standard AASB 124 "Related Party Disclosures". These remuneration disclosures are provided in the Directors' Report under Remuneration Report and designated as audited.

(iii) Shareholdings of Key Management Personnel

Shares held directly and indirectly in the Company:

Directors	Balance at the start of the period	Issued under share plan	On exercise of options	Net change other	Balance at the end of the period
Mr D Boyer	360,000	-	-	143,000	503,000
Mr M Rosenstreich	-	250,000	-	100,000	350,000
Mr C McGown	579,531	-	-	310,000	889,531
Mr K Rodgers	8,000,000	-	-	74,054	8,074,054
	8,939,531	250,000	-	627,054	9,816,585

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

(iv) Loan to Key Management Personnel

The loan outstanding to key management personnel at the end of the year of \$37,500 (2005: \$Nil) was granted for the acquisition of shares in the Company pursuant to the Company's Share Purchase Plan (see Note 16 (i)). All loans granted under this plan are unsecured and are made for either a period of 10 years, until the employee repays the loan, the Board forgives the loan or until the employee ceases his employment with the Company, which ever occurs first. Interest is not payable on this loan.

20. RELATED PARTIES

KEY MANAGEMENT PERSONNEL

Disclosures relating to the remuneration and shareholdings of key management personnel are set out in the Directors' Report and Note 19 respectively.

Other transactions with key management personnel are as follows:

- (i) D J Carmichael Pty Ltd, an entity related to Mr C McGown, was paid \$251,392 (2005: \$97,898) for company secretarial and management fees and consulting fees in relation to capital raisings.
- (ii) Boyer Exploration Pty Ltd, an entity related to Mr D Boyer, was paid \$22,163 (2005: \$20,878) for exploration and management consulting, and was reimbursed at cost for expenditure made on behalf of the Company.
- (iii) Intec Hellyer Metals Pty Ltd, an entity related to Mr Kieran Rodgers, was reimbursed at cost for expenditure made on behalf of the Company an amount of \$5,952 and paid his Directors' fees of \$17,391.
- (iv) The spouse of Mr Rosenstreich received \$10,784 for the provision of part time administration and bookkeeping service.

	2006	2005
	\$	\$

21. REMUNERATION OF AUDITORS

Amounts received or due and receivable by the auditors for:

Audit or review of the financial reports of the Company	12,600	9,040
Other services	5,125	14,540
	<u>17,725</u>	<u>23,580</u>

22. CASH FLOW INFORMATION

(i) Reconciliation of cash flow from operations
with loss from ordinary activities after income tax

Operating loss after income tax	(696,331)	(268,418)
Depreciation	12,521	406
Provision for employee entitlements	3,291	-
Impairment of capitalised exploration expenditure	238,389	6,221
Equity based payments	(4,900)	78,400
	<u>(447,030)</u>	<u>(183,391)</u>
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(59,897)	(110,435)
(Decrease)/Increase in trade and other payables	(17,367)	70,489
Other security deposits	(26,100)	-
Net cash outflow from operating activities	<u>(550,394)</u>	<u>(223,337)</u>

(ii) Non cash financing and investment transactions

- ✱ Issue of 300,000 ordinary shares and 100,000 options to Geoinformatics at \$51,800 as consideration pursuant to the Tasmanian Alliance Agreement.
- ✱ Issue of 300,000 ordinary shares and 50,000 options to Geoinformatics at \$49,619 as consideration for an option.
- ✱ Issue of 150,000 options to Pioneer at \$5,880 as consideration for an option.
- ✱ Issue of 250,000 shares to Managing Director at \$37,500 through the granting of a loan by the Company under Share Purchase Plan.
- ✱ Acquisition of plant and equipment with an aggregate fair value of \$103,815 (2005: nil) by means of hire purchase agreements.

23. EVENTS AFTER THE BALANCE SHEET DATE

- (a) On 5 July 2006, the Company entered into an agreement to issue 6,400,000 ordinary shares and pay \$300,000 to Saracen Mineral Holdings Limited in consideration for exploration tenements in the Hellyer region of Tasmania. The issue of the Consideration Shares will occur at settlement of the transaction which is subject to ministerial consent. Settlement is expected to occur in late September 2006.
- (b) On 10 August 2006 the Company announced it had negotiated the placement of 20,000,000 ordinary shares at an issue price of 16 cents to raise capital to fund the Company's exploration activities.
- (c) The financial report was authorised for issue on 29 September 2006 by the Board of Directors.

Since 30 June 2006 there has not been any matter or circumstance not otherwise dealt with in the financial report that has significantly affected or may significantly affect the Fund.

24. SEGMENT REPORTING

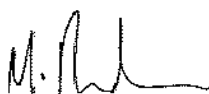
The Company operates predominately in one business and geographical segment being the mineral exploration and evaluation of properties in Australia.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. the financial statements and notes, as set out on 27 to 52, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



M Rosenstreich
Managing Director

West Perth, Western Australia

29 September 2006

INDEPENDENT AUDIT REPORT

TO THE MEMBERS OF BASS METALS LIMITED

SCOPE

THE FINANCIAL REPORT AND DIRECTORS' RESPONSIBILITY

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Bass Metals Limited (the company) for the year ended 30 June 2006.

The company has disclosed certain information about the remuneration of directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124 "Related Party Disclosures, on pages 18 to 22 of the directors' report and not in the financial report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

AUDIT APPROACH

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Chartered Accountants

A member of Bentleys MRF, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRF and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 56 of the financial report has not changed as at the date of providing our audit opinion.

AUDIT OPINION

In our opinion, the financial report of Bass Metals Limited is in accordance with:

- a. the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards in Australia and the Corporation Regulations 2001; and
- b. other mandatory professional reporting requirements; and
- c. the remuneration disclosures that are contained in pages 18 to 22 of the directors' report comply with Accounting Standard AASB 124 and the Corporations Regulations 2001.

BENTLEYS MRI PERTH PARTNERSHIP



J W VIBERT

Partner

Dated: 29th September 2006

CHARTERED
ACCOUNTANTS
& BUSINESS
ADVISORS

A MEMBER OF
MOORES ROWLAND
INTERNATIONAL



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AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

TO THE DIRECTORS OF BASS METALS LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

BENTLEYS MRI PERTH PARTNERSHIP

J W VIBERT

Partner

Dated: 29th September 2006

Chartered Accountants

A member of Bentleys MRI, an association of independent accounting firms throughout Australia, and a member of Moores Rowland International, an association of independent accounting firms throughout the world. The firms practising as Bentleys MRI and Moores Rowland are independent. The member firms of these associations are affiliated only and not in partnership.

ADDITIONAL INFORMATION

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 15 September 2006.

(a) DISTRIBUTION OF SHARES

The numbers of shareholders, by size of holding are:

Category (size of holding)	Number Ordinary Shares	Number of Holders
1 - 1,000	403	4
1,001 - 5,000	156,002	43
5,001 - 10,000	1,006,325	105
10,001 - 100,000	12,925,466	309
100,001 - and over	42,511,817	84
	56,600,013	545

The number of shareholdings held in less than marketable parcels is 7.

(b) TWENTY LARGEST SHAREHOLDERS

The names of the twenty largest holders of quoted shares are:

SHAREHOLDERS	Number of shares held	% Holding
1 Intec Hellyer Metals Pty Ltd	11,700,000	20.7%
2 Fortis Clearing Nominees	3,538,670	6.3%
3 Semptra Metals & Conc Corp	2,812,500	5.0%
4 Saracen Mineral Holdings	1,875,000	3.3%
5 Tricom Nominees Pty Ltd	1,529,375	2.7%
6 Grimwood Nominees Pty Ltd	1,180,000	2.1%
7 Damplin Investments Pty Ltd	1,000,000	1.8%
8 Ionikos Pty Ltd	859,530	1.5%
9 Nefco Nominees Pty Ltd	685,000	1.2%
10 Jones, Guy Lance	625,000	1.1%
11 UBS Nominees Pty Ltd	600,000	1.1%
12 Oregon Nominees Pty Ltd	500,000	0.9%
13 Fil Resources Limited	500,000	0.9%
14 Slipline Pty Ltd	500,000	0.9%
15 M Bruton Pty Ltd	500,000	0.9%
16 JSM Corporate Pty Ltd	450,000	0.8%
17 Scanlan, Stephen	448,000	0.8%
18 Comsec Nominees Pty Limited	406,000	0.7%
19 Forsyth, Alister John	400,000	0.7%
20 Boyer, David Donald	383,000	0.7%
	30,492,075	53.9%

Stock Exchange Listing – Listing has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited except for 9,128,054 which are not quoted by virtue of restriction agreements.

(c) TWENTY LARGEST OPTION HOLDERS

The names of the twenty largest holders of quoted options are:

OPTION HOLDERS	Number of options held	% Holding
1 Intec Hellyer Metals P/L	2,000,000	24.6%
2 Coombes, Sandra Anne	1,022,500	12.6%
3 Sempra Metals & Conc Corp	437,500	5.4%
4 ANZ Nominees Limited	312,625	3.8%
5 Grimwood Nominees Pty Ltd	295,000	3.6%
6 Taylor, John Ronald	290,344	3.6%
7 Scotney, Neil	216,254	2.7%
8 Riley, Peter Brian	196,750	2.4%
9 Fil Resources Ltd	125,000	1.5%
10 Symington Pty Ltd	100,000	1.2%
11 Taylor , Campbell Dinwoodie	97,513	1.2%
12 Vanzyl, David Sundance	75,500	0.9%
13 Nissen, Nathan	71,500	0.9%
14 JSM Corporate Pty Ltd	62,500	0.8%
15 Forsyth , Alsister John	50,000	0.6%
16 Halford, Jeffrey George	50,000	0.6%
17 Millar, Matthew Stephen	50,000	0.6%
18 Rajeevan , Samuel Gershon	50,000	0.6%
19 McClean, David John	47,500	0.6%
20 Herbert, Baden Leo	44,246	0.5%
	5,594,732	68.9%

Stock Exchange Listing – Listing has been granted for 8,125,000 options over ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited except for 2,020,625 which are not quoted by virtue of restriction agreements.

(d) SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

Substantial Shareholder	Number of units
Intec Hellyer Metals Pty Ltd	11,625,000
Sempra Metals & Conc Corp	2,000,000

(e) VOTING RIGHTS

All shares carry one vote per unit without restriction.

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