



11 July 2007

The Manager Companies  
Company Announcements  
Australian Stock Exchange  
20 Bridge St  
Sydney NSW 2000

Dear Sir

## **JUNE 2007 QUARTERLY REPORT OF ACTIVITIES & CASHFLOW**

### **Base Metals**

#### **Mine Development – Que River**

- 34% upgrade to the Que River Mineral Resource with the addition of the new QR32 lens resource estimate.
- Execution of a binding, conditional Heads of Agreement with Zinifex covering terms for an ore sales agreement for Que River Stage 1 ore.

#### **Exploration Activities**

##### **Que River**

- Seven target areas identified with potential to increase resource base in the vicinity of the planned Que River mining operation.
- A diamond drill hole testing one of these targets was at 450m depth at the end of June. Minor chalcopyrite (Cu-sulphide) is present in some pyritic stringer veins, as the target area at 520m downhole is approached.

##### **Hellyer Mine project**

- Coffey Mining to undertake Mineral Resource estimates of the remnant mineralised areas and the unmined southern & central feeder stockwork zones as the initial stage of a scoping study to evaluate mining opportunities.
- Data compilation and drill planning commenced for Southern Barite Lens following up on historic intercepts such as 4.7m at 9.3% Zn, 6.3% Pb, 420g/t Ag & 5.4 g/t Au and 6.2m at 24% Zn, 10.7% Pb, 1.1% Cu, 156g/t Ag & 2.6 g/t Au.

##### **Zinifex Hellyer Exploration Alliance**

- A further 2 diamond drill holes testing for new Hellyer-Que River style mineralised targets were completed.
- Down-hole geophysical surveys received for the 5 drill holes completed with negative results. A further 4 drill holes warrant follow-up geophysical surveys.

##### **Regional Exploration**

- Bonds Range drilling completed with discovery hole, BRD001, intersecting 3.5m at 5% Pb, 1.1% Zn, 120g/t Ag and 1.1 g/t Au. BRD002 & 3, intersected anomalous zones on the margins of the soil anomalies.
- Selina drilling completed comprising two diamond drill holes for 554m testing Pb-Zn in soil anomalies. All assays pending, but only minor base metal veining intersected.

### **Nickel & Platinum Group Metals (PGM)**

Three nickel-in-soil anomalies identified at Heazlewood in favourable geological positions with potential to host nickel sulphide mineralisation. Follow-up soil sampling and geophysical work planned.

## Corporate Administration

Current cash at bank comprises \$4.6 million, following receipt of \$4.97 from a Rights Issue and options exercise, expenditure of \$1.35 million on exploration (before JV contributions) and evaluation and \$0.28 million on company administration for the Quarter.

### Commentary

The June Quarter has been another busy quarter;

#### **.....on the Que River mine development,**

BSM has secured very favourable terms for the sale of its Que River ore to Zinifex. Zinifex offered the best return for BSM based on payments for all five contained metals; Zn, Pb, Cu, Ag and Au. The Heads of Agreement with Zinifex is conditional with the main aspects being completion of an ore trial and addressing potential community concerns on increased truck movements in the region.

BSM anticipates being able to meet these conditions in a timely manner. It is important to note that the 2.4 million tonnes of ore mined from Que River was trucked and processed at Rosebery from 1978 to 1991. Zinifex "knows" this ore, and has agreed to pre-pay BSM \$100,000 as a sign of confidence that the trial will be successful.

The absolute priority for BSM is to get Que River into production and then to build up the ore reserve position.

#### **.....on the exploration front;**

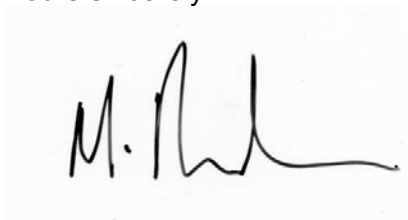
This was an extremely busy quarter with respect to drilling activity. Four rigs have been working on BSM tenements since May and this situation continues into July. In order to satisfy Joint venture and Mines Department commitments this activity focused on testing attractive, but earlier stage (i.e. higher risk), and we recorded a notable success at Iris River and some very encouraging results on the Hellyer Alliance drilling with Zinifex. The drill focus is being "re-balanced" for the next six months to the twin strategy of progressing advanced projects whilst maintaining the search for new large deposits.

To advance the production and resource base (*Phase 1 of the Twin Strategy*) the Company has initiated scoping study activities on its Hellyer Mine Project with Coffey Mining, is planning drilling on the advanced Magnet and Farrell projects, as well as follow-up drilling on the new Iris River discovery. This is in addition to the drill hole currently underway to test for a new ore lens beneath Que River.

On the "discovery" side (*Phase 2 of the Twin Strategy*) the Company continues to work with Zinifex to systematically test by drilling and geophysics for new Hellyer/Que River deposits in the Hellyer area. Work also continues on the North Rosebery target, the Heazlewood nickel anomalies and several other earlier stage prospects.

I look forward to providing further updates on our progress in these activities.

Yours sincerely



Mike Rosenstreich  
*Managing Director*

## JUNE 2007 QUARTERLY ACTIVITIES REPORT

### A. BASE METALS

#### A1.0 Mine Development – Que River

##### A1.1 Drilling and Mineral Resource Estimation

No resource or reserve drilling was undertaken at Que River during the quarter. Assay results from several drill holes completed in the march 2007 Quarter were received and are reported in Table 1.

**Highlights include:**

- 2.5 metres at 9.8% zinc, 6.1% lead, 8 oz./t silver & 3.8 g/t gold from 42 metres downhole (Nico); and,
- 3.7 metres at 6.7% zinc, 3.7% lead, 2 oz./t silver & 1.4 g/t gold from 105 metres downhole (QR32);

**Table 1: Que River drill assay results (at a 5% Pb+Zn cutoff)**

From (m)	To (m)	Drilled Interval (m)	True Width (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
<b>Nico Lens</b>								
<b>QRD1285</b>								
42.12	44.60	2.48	1.9	9.8	6.1	0.2	235	3.8
<b>QRD1288 – no significant intercepts</b>								
<b>QR32 Lens</b>								
<b>QRD1282 – no significant intercepts</b>								
<b>QRD1286</b>								
77.6	81.05	3.45	1.4	1.4	6.5	0.3	181	2.9
94.75	97.1	2.35	0.9	7.8	4.3	0.2	100	3.2
101.3	104.1	2.80	1.1	4.2	2.4	0.1	59	3.1
105.4	109.05	3.65	1.5	6.7	3.7	0.2	69	1.4
<b>QRD1287</b>								
93.8	96	2.2	1.1	5.2	3.4	0.2	70	0.9

#### **QR32 Mineral Resource Estimate.**

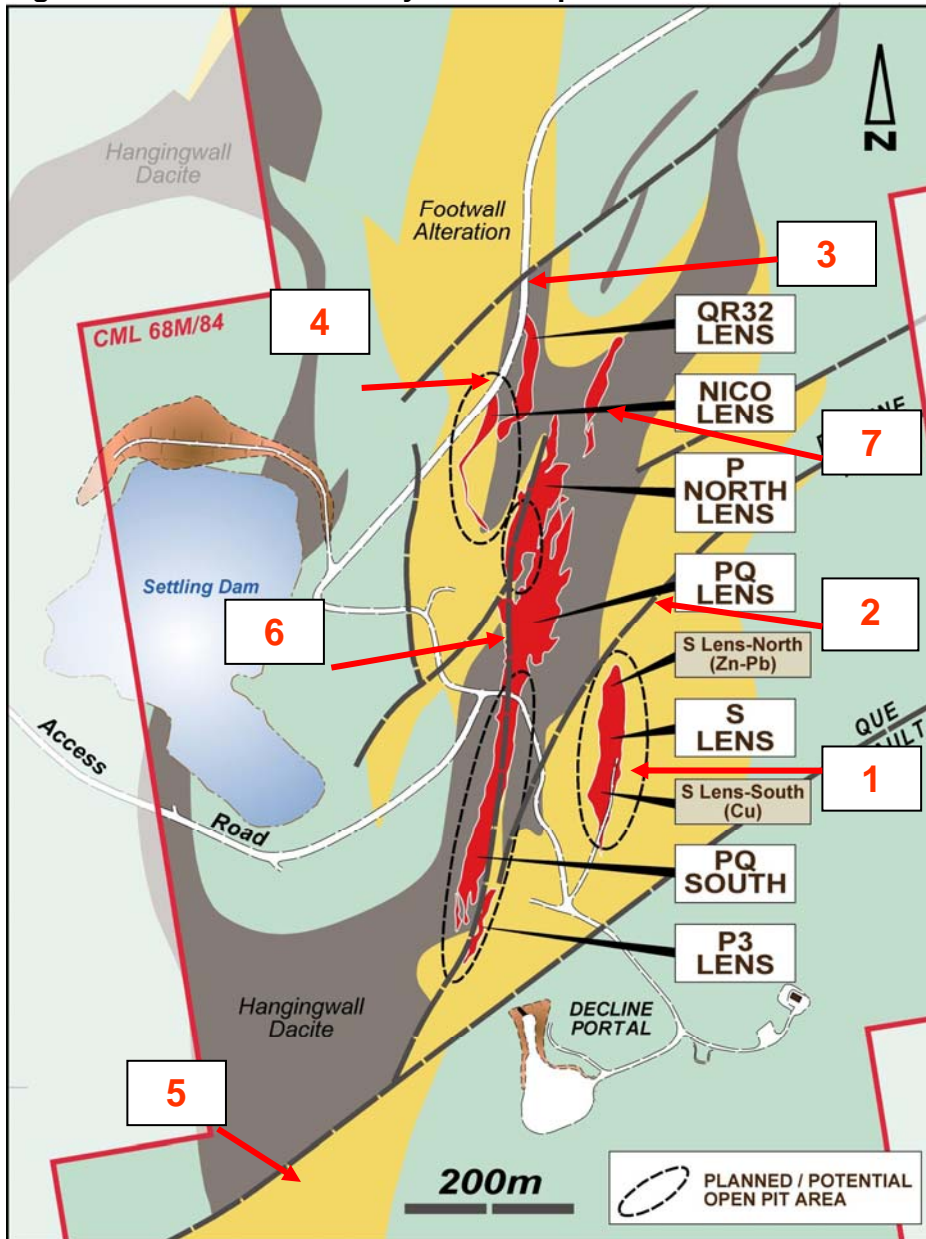
The first Mineral Resource estimate for the QR32 lens was completed during the period. The QR32 Lens Mineral Resource estimate is reported in accordance with the 2004 JORC Code and is presented in Table 2 below.

**Table 2: Summary of Classified QR32 Lens Mineral Resource**

Ore type/area	JORC Code Category	Tonnes (000's)	Zn %	Pb %	Cu %	Ag g/t	Au g/t	SG T/m <sup>3</sup>
QR32 Lens	Indicated	134	5.9	3.5	0.2	83	1.1	3.3
QR32 Lens	Inferred	54	4.6	2.7	0.1	72	1.0	3.3
<b>TOTAL MINERAL RESOURCE</b>		<b>188</b>	<b>5.5</b>	<b>3.3</b>	<b>0.2</b>	<b>79</b>	<b>1.1</b>	<b>3.3</b>

*N.B. Small rounding errors may occur.*

Mr. Steven Richardson BSc(Hons) MAusIMM, a fulltime employee of McArthur Ore Deposit Assessments (MODA) has 27 years experience, including 10 years at Que River-Hellyer. He completed the bulk of the estimation work for QR32, Nico and S-Lens under the direction and supervision of Dr Gary McArthur PhD FAusIMM MICA MSEG, principal of MODA. Dr McArthur has over 35 years experience as a professional in the mining industry (including 10 years at Hellyer), with considerable involvement in the estimation of resources over a wide variety of commodities and mineralisation styles. As such, Dr McArthur meets the formal requirements as defined in the JORC Code (Joint Ore Reserves Committee, 2004) to be a Competent Person for the estimation of the Que River Mineral Resources.

**Figure 1: Que River Summary Location plan**

**Exploration Targets at Que River**

1. Deep geophysical target
2. S Lens position north of decline fault
3. Shallow northern extension to QR32 Lens
4. Shallow northern extension to Nico Lens
5. Deeper drilling in alteration zone south of Que Fault
6. Gaps in PQ ore horizon at shallow depths to north
7. P West – mineralisation between PNth and QR32 Lenses

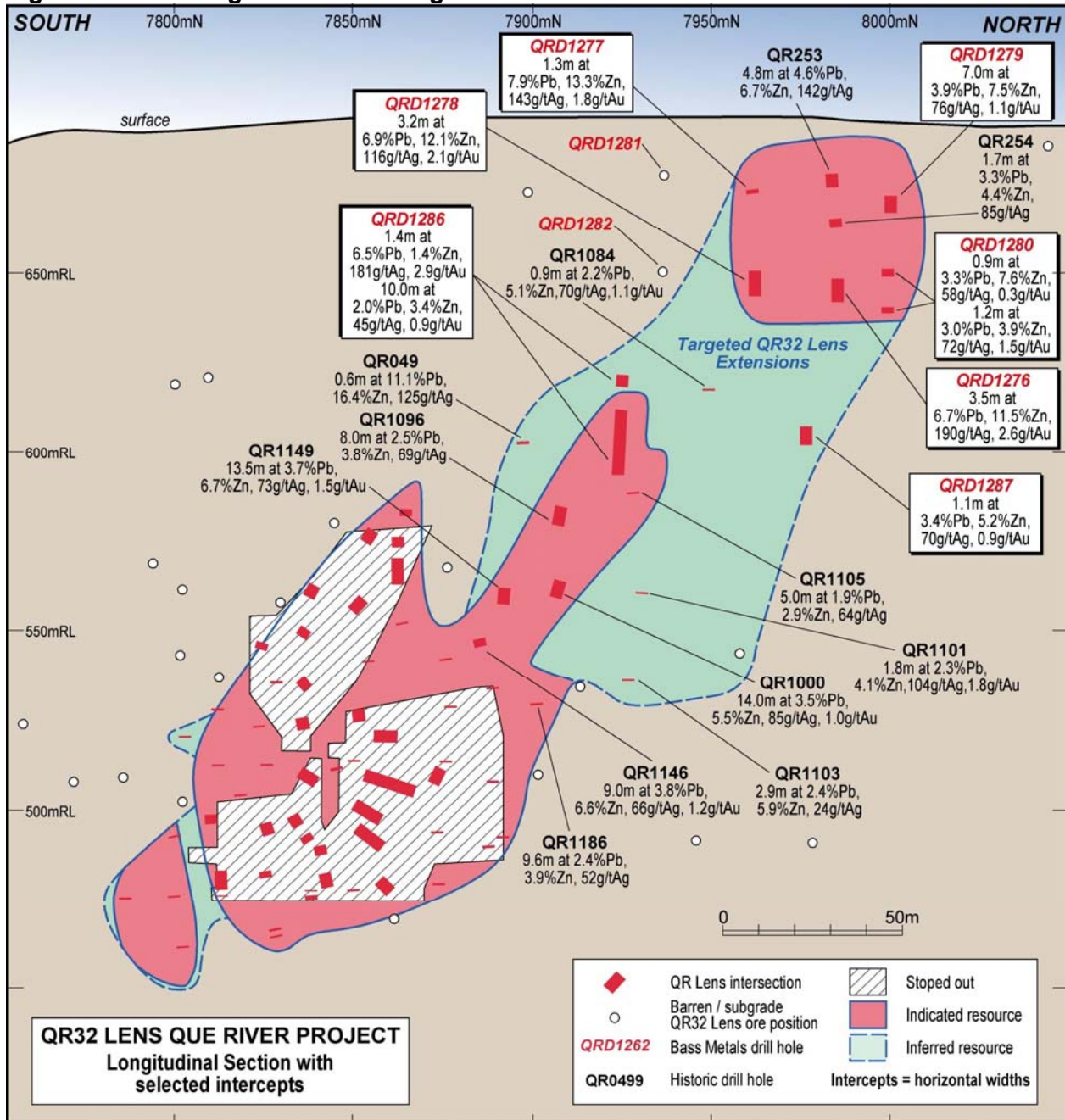
QR32 Lens is a zone of massive, stringer and disseminated polymetallic sulphides occurring to the north of PQ Lens at Que River (Refer Figure 1 – Que River Location Plan). The lens extends vertically from approximately 240 metres beneath surface, where it was partially mined from underground, to near surface (refer Figure 2). Drilling by BSM, following up on the potential for open-pit exploitation, has extended the resource to include a zone from about 150 metres depth to near surface.

A 3D ordinary kriging geostatistical estimation technique was used to undertake the QR32 estimate, which is described in a detailed report to ASX 28 June 2007. The grade interpolation method involved constraining assay data from 77 diamond drill holes within a series of wire frames defined by a A\$70 per tonne value cut-off for the ore. Highest grades were further constrained by wire frames generated from outlines of the mineralised massive sulphide lenses. This method

differs to that used for the other Que River resources and was employed to better reflect current ore values and potential value of mineralisation occurring outside of the main massive sulphide mineralised lenses. It differs from previous 2D estimates where mineralised domains were more tightly constrained to higher cut-offs of combined lead and zinc grades greater than 5%, which generally define only the higher grade portions of the lenses.

The deeper portion of the Mineral Resource occurs around mined voids for which survey data is not available. To account for mined out material, stope wire frames were modelled on "estimates" of where the stopes would likely have extended to, based on survey data of the underground mine development and historical records.

**Figure 2: QR32 long section showing Mineral Resource outlines.**



## A1.2 MINE PLAN

The Company has previously reported details of its Stage 1 Mine plan comprising an in pit resource of approximately 120,000 tonnes. Little additional work has been completed during the quarter other than to further refine certain mining parameters with the knowledge gained from the trial mining exercise.

### **A1.3 TRIAL MINING AND PROCESSING**

The excavation of a small, 15m deep trial pit was completed by BSM's alliance partner, Mancala Mining on time and budget with a total of approximately 1,700 tonnes at 15.5% Zinc, 8.9% lead, 109 g/t silver and 3.0 g/t gold mined. The ore was crushed at site to minus 10mm, and handling problems were encountered with the finely crushed material due to very wet weather.

A parcel of approximately 1,300 tonnes was delivered to the Hellyer plant and blended intermittently with the Hellyer tailings feedstock over a period of nearly 2 weeks. Notwithstanding the materials handling problems the Que River ore behaved as expected in the Hellyer plant; contributing to an increased concentrate grade at the expected high metal recoveries.

During the course of the trial it became apparent that the Hellyer plant was operating on different zinc recovery and concentrate grade parameters than those expected late in December 2006 when the Ore Sales Letter of Intent (LOI) was signed. This had an adverse impact on the potential revenues available to BSM based on the LOI and necessitated a review of alternative off-take opportunities.

### **A1.4 ORE SALES**

On the 26 June 2007 the Company announced that it had signed a binding, conditional Heads of Agreement with Zinifex Australia Limited covering the terms of an ore sales agreement for the Que River Stage 1 ore to Zinifex's Rosebery plant.

The Zinifex agreement generates improved margins, with payments received for all 5 contained metals (zinc, lead, copper, silver and gold). The risk profile has also been improved as the Que River ore has a closer affinity to Rosebery ore than the finely ground tailings feedstock into the Hellyer plant. Between 1978 and 1991 the Rosebery plant treated approximately 2.4 million tonnes of Que River ore.

Zinifex approached BSM earlier this year exploring ore purchase opportunities to utilise spare capacity at the Rosebery mill facilities. This resulted in an ore off-take proposal with favourable terms to BSM, which is consistent with its previous revenue targets.

The Zinifex off-take agreement is conditional on several items including:

- completion of a 1,000t trial to verify metallurgical assumptions and logistical issues;
- satisfactory management of community concerns by Zinifex regarding road haulage of the ore to Rosebery; and,
- a \$100,000 pre-payment from Zinifex to BSM.

Since the end of the June Quarter the Company has received the \$100,000 prepayment from Zinifex and has trucked the remaining broken ore stocks from the Que River trial pit for a treatment trial at the Rosebery plant.

## ***A 2.0 Base Metal Exploration Activities***

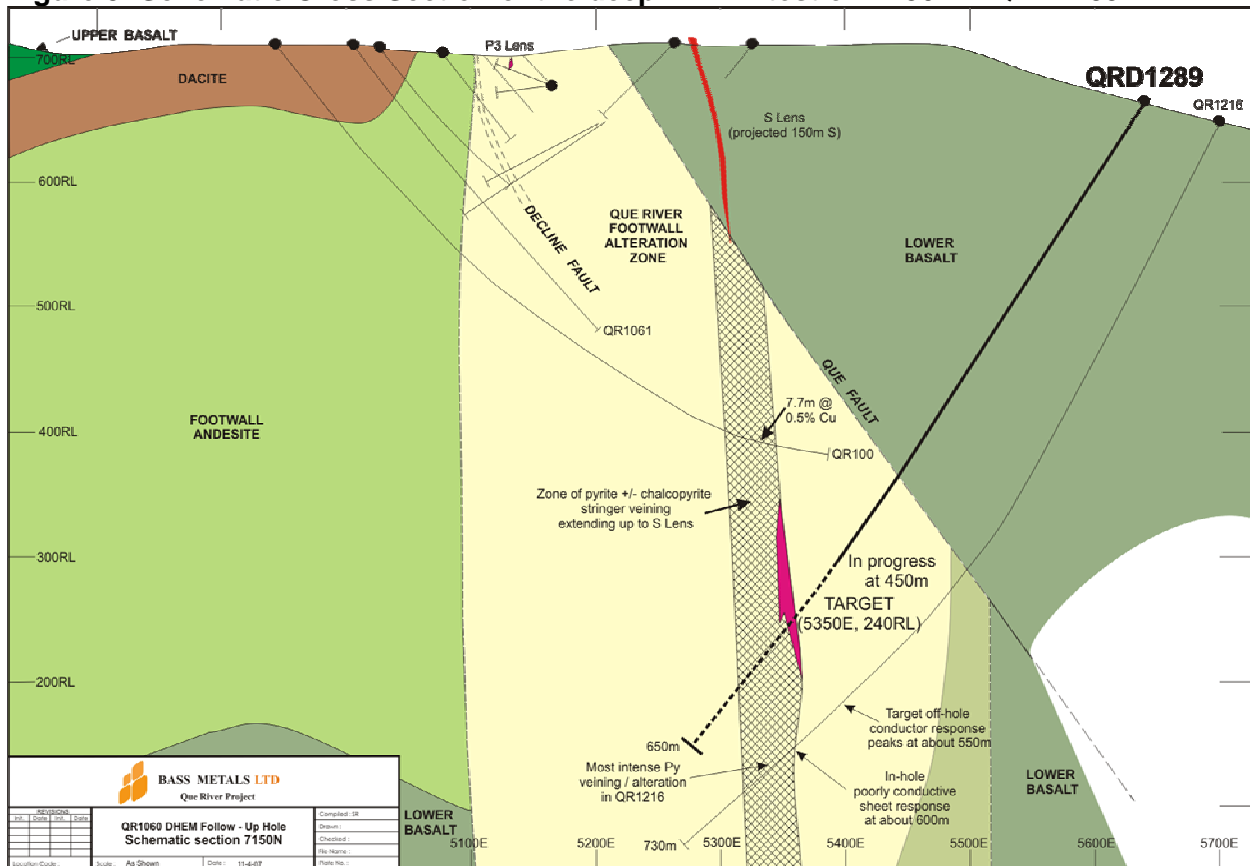
### **A2.1 QUE RIVER EXPLORATION**

There is significant exploration potential at Que River in the vicinity of the current shallow resources and also to the south and at depth within the wide alteration zone which hosts the defined Que River lenses. Figure 1 highlights the targets identified to be followed up with drilling.

At the beginning of June, a 650m diamond hole (QRD1289) commenced to test the deep Que River downhole electromagnetic (DHEM) anomaly. The anomaly is recognised from EM surveys of historic (pre-1990) drill holes and re-surveying and recent remodeling of the anomaly, using

modern 3D geophysical methods. A schematic cross section of the hole and interpreted target is shown in Figure 3 below.

**Figure 3: Schematic Cross Section of the deep DHEM test on 7150N – QRD1289**



At the end of June the hole is at 450m, drilling pyritic altered volcanics of the deep Que River Footwall Alteration zone. The interpreted depth of the conductive target is around 520m downhole. Minor chalcopyrite (Cu-sulphide) is present in some pyritic stringer veins, as the target area is approached.

The target is a new massive sulphide lens with economic grades of base metal sulphides.

## A2.2 HELLYER MINE PROJECT (HMP)

The HMP is a new initiative reported by the Company previously to follow-up on several advanced resource targets in and around the decommissioned Hellyer Mine.

Coffey Mining in Hobart has been requested to undertake resource estimates of the remnant mineralised areas and the extensive base-metal sulphide vein stockwork identified beneath the massive sulphide zones. Subject to the outcomes of that work Coffey will move onto a scoping study to evaluate early mining opportunities at the Hellyer deposit.

A drilling programme has been planned to follow-up on high grade historic intercepts at the Southern Barite Zone, immediately to the south of Hellyer. This area is sparsely drilled on 100m spaced lines but better intercepts from historic drill holes include:

- 4.7m at 9.3% Zn, 6.3% Pb, 420g/t Ag, 5.4 g/t Au & 0.4% Cu ;
- 6.2m at 24% Zn, 10.7% Pb, 156g/t Ag, 2.6 g/t Au & 1.1% Cu.

Drilling will commence at the Southern Barite Lens as soon as a drill rig becomes available.

### A2.3 ZINIFEX HELLYER EXPLORATION ALLIANCE (HEA)

The HEA between Zinifex Limited and BSM continues to test a series of targets in and around the Hellyer Mine lease, prospective for new large scale high-grade zinc-lead-silver-copper-gold deposits such as the world class Hellyer deposit.

This is a high-risk drilling programme systematically testing a series of prospective targets. The process is to drill into the target zone and then to conduct DHEM surveys which can “see” away from the drill hole into the surrounding rock and detect Hellyer style, massive sulphide mineralisation up to 400m from the drill hole, depending on the size of the mineralised body. DHEM surveys are only conducted on those drill holes which intersected the “fertile” host stratigraphy and are considered to be in a prospective area for mineralisation.

DHEM surveys were conducted on the first 5 HEA drill holes (HED 1 to HED5) during the June Quarter. Unfortunately no off hole conductors indicating proximal mineralisation were detected.

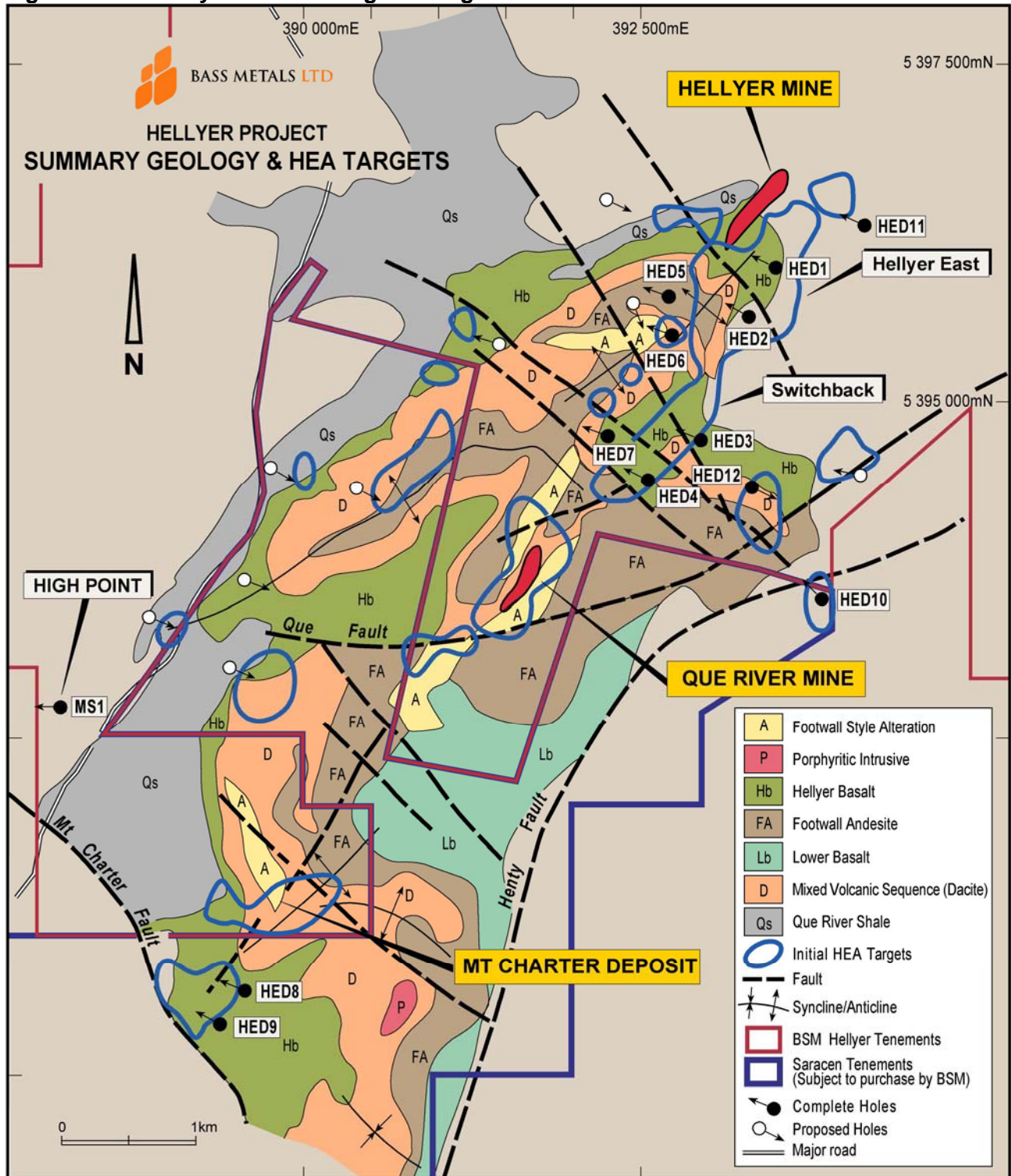
During the June Quarter a further 2 diamond drill holes were completed for a total of 558.2 metres as summarised in Table 3 and illustrated in Figure 4. Assays for drill holes HED6 and 7 were received as summarised in Table 4 below. No significant assays are expected for any of the drill holes completed to date. However several of them have intersected prospective geological sequences which warrant follow-up EM surveys.

**Table 3 HEA Drilling Status Summary**

BHID	NORTH	EAST	RL	AV. GRID AZIMUTH	AV. DECLINATION	DEPTH	STATUS
HED1	10400.00	6088.12	711.20	271	68	320.40	Assays received
HED2	9999.99	6058.01	732.61	268	70	462.00	Assays received
HED3	8999.99	6065.16	690.60	271	53	437.60	Assays received
HED4	8574.99	5809.79	690.06	274	50	399.00	Assays received
HED5	9900.02	5406.02	680.12	273	70	301.00	Assays received
HED6	9700.00	5602.00	720.00	275	58	250.20	Assays received
HED7	8750.00	5398.00	671.00	269	56	143.60	Hole abandoned
HED7a	8750.00	5397.00	671.00	273	53	347.40	Assays received
HED8	3900.00	4440.00	707.00	277	55	422.70	Core being processed
HED9	3600.00	4390.00	715.00	278	56	481.30	Core being processed
HED10	8300.00	7395.00	296.00	274	43	332.90	Drilling completed
HED11	10956.00	6599.00	667.00	272	77	143.00	Drilling in progress
HED12	8810.00	6577.00	495.00	125	86	47.00	Drilling in progress
						<b>4088.10</b>	

**Table 4: Assays from HEA Drilling**

FROM (m)	TO (m)	INTERVAL (m)	Cu (ppm)	Pb (ppm)	Zn (ppm)	Ag (ppm)
<i>HED6 – no significant results but warrants DHEM survey</i>						
<i>HED7 – no significant results but warrants DHEM survey</i>						
<i>HED8 –no obvious mineralised zone, assays pending – warrants DHEM survey</i>						
<i>HED9 –no obvious mineralised zone, assays pending – warrants DHEM survey</i>						
<i>HED10 –no obvious mineralised zone, no samples for assay no DHEM survey warranted</i>						
<i>HED11 – in progress</i>						
<i>HED12 – in progress</i>						

**Figure 4: Summary of HEA drilling and targets**


The HEA is due to end when either the \$2.0 million combined expenditure limit has been met or notionally on 2 August 2007. To date each party has contributed approximately \$0.75M with \$0.5M expenditure remaining. On this basis the HEA is likely to continue into early 2008 to complete the planned programme.

During the Quarter Zinifex selected the High Point area as a Special Project Joint venture Area (SPJVA). They immediately started drilling to test for a deep (>1,000m) Hellyer target position. The drill hole has apparently passed through the prospective host sequence, albeit deeper than anticipated with no significant base metal mineralisation. Zinifex is continuing to drill the hole to the base of the Cambrian sequence to gain a complete stratigraphic profile. At the end of the June Quarter the hole was at a depth of 1521m. A DHEM survey is planned for this drill hole.

## A2.4 REGIONAL BASE METALS EXPLORATION

The Company has a very active regional and grass roots base metals focussed exploration programme. During the June Quarter of 2007 the following activities were completed.

### A2.4.1 Bonds Range (Cu-Pb-Zn-Ag potential)

(EL28/2002 - 60% Bass Metals Ltd 40% Adamus Resources Limited)

Drilling commenced during the March Quarter at the Iris River Prospect and was completed in the June Quarter with the third drill hole, BRD003 at 157.7m and the receipt of all assay results.

BRD001 was the standout result with:

- 3.5m at 5.0% Pb, 1.1% Zn, 120g/t Ag, 1.1g/t Au & 0.1% Cu, from 88m,
- including 0.7m at 21.6% Pb, 3.0% Zn, 3.65g/t Au, 550ppm Ag & 0.44% Cu, from 90.8m,

as presented in Table 5 below. BRD002 and BRD003 also intersected alteration but of a more diffuse nature and with lower order, anomalous assays. Anomalous results in BRD002 and BRD003 are strongly associated with galena and sphalerite mineralisation in quartz-chlorite veins. These lower order results may be due to access constraints which led to drill pads sited on the margins of the anomalies defined by recent soil surveys. Drill hole details are presented in Table 6.

Extensions to the existing soil grid were also completed at the Iris River prospect during the quarter to identify additional areas for follow-up drilling programmes. Assays are pending.

This first drilling programme at Iris River is considered very encouraging and warrants a more robust approach to creating drill access to test the central portion of the soil anomalies. Approval has been received from Mineral Resources Tasmania to undertake a 9 hole follow-up programme.

BSM is targeting high grade Pb-Zn-Ag mineralisation likely related to Devonian granite intrusives.

**Table 5 Bonds Range Drilling Results – June Quarter 2007**

From (m)	To (m)	Drilled Interval (m)	True Width (m)	Cu (%)	Pb (%)	Zn (%)	Ag ppm	Au ppm
<b>BRD001 (&gt;1% Pb+Zn cut-off)</b>								
88.0	91.5	3.5	3.0	0.1	5.0	1.1	120	1.1
<b>BRD001 (&gt;5% Pb+Zn cut-off)</b>								
90.8	91.5	0.7	0.6	0.44	21.6	3.0	550	3.65
<b>BRD002 (anomalous results)</b>								
105.0	106.0	1.0	0.8	0.03	0.4	0.3	3	0.08
113.0	113.5	0.5	0.4	0.01	0.1	0.55	<1	<0.01
115.3	116.0	0.7	0.6	0.04	0.7	0.1	7	<0.01
<b>BRD003 (anomalous results)</b>								
133.5	141.0	7.5	3.0	0.06	1246ppm	1230ppm	4	<0.01

**Table 6 Bonds Range drilling summary – June Quarter 2007**

HOLE	Target	Collar North	Collar East	Collar RL	Azimuth	Dip	EOH (m)
BRD001	Pb-Zn anomaly	5400783	412997	835	154	-61	109
BRD002	Pb-Zn anomaly	5400783	412997	835	156	-38	120.7
BRD003	Pb-Zn anomaly	5400962	412932	835	315	-35	157.7

**A2.4.2 Waratah (Pb-Zn-Ag potential)**  
*(75% Bass Metals Ltd 25% Clancy Exploration Limited)*

The Company's initial focus is on the early mining potential of the historic Magnet Mine, which according to MRT records produced 630,000t grading 5.7% Pb, 7.3% Zn and 394g/t Ag between 1895 and 1940. Compilation work of historic mining and exploration data continued in the June Quarter. An exciting development has been the identification of a zone of distinctive zinc rich mineralisation in the hanging wall of the main lode from historical records and examination of the old workings. Zinc was considered a gangue mineral at the time Magnet was mined and hence was not extracted.

**A2.4.3 Mt Selina (Cu-Pb-Zn-Ag & Au potential)**  
*(EL29/2002 Mt Selina - 60% Bass Metals Ltd 40% Adamus Resources Limited)*

A two drill hole programme was completed at Selina testing the Dora lead-zinc (gold) soil anomaly. A total of 554m was drilled and whilst assays are still pending only minor mineralised intervals were intersected.

- DPD001 collared in Owen Group conglomerate and sandstone passing through the interpreted fault position at 90m into a chlorite schist of the Tyndall Group. Sporadic quartz-chlorite veining in the Tyndall Group schist contained trace amount of sphalerite throughout the hole, and a zone of oxidised magnetite alteration near the bottom of hole is thought to possibly represent alteration associated with gold mineralisation at the Dora workings.
- DPD002 collared directly into Tyndall Group chlorite schist and in places exhibited clastic textures related to the provenance of the unit as volcanoclastic facies. The same quartz-chlorite veining found in DPD001 was intercepted in the hole with marginally more sphalerite and trace galena. A zone of oxidised magnetite alteration was also encountered towards the bottom of hole.

All core has been logged and DPD001 has been submitted for assay. DPD002 is currently being cut for sampling and assay. A down-hole EM survey is planned for DPD001.

**Table 5 Selina drilling summary – June Quarter 2007**

HOLE	Target	Collar North	Collar East	Collar RL	Azimuth	Dip	EOH (m)
DPD001	Pb-Zn soil anomaly	5357495	386501	710	244	-47	314.5
DPD002	Pb-Zn soil anomaly	5357175	386535	760	244	-60	239.5

**A2.4.4 Farrell Line Project (Cu-Pb-Zn-Ag potential)**  
*(EL47/2003 BSM 100%)*

An orientation traverse was made over the 4km north-south extent of the historic workings and samples were collected from waste dumps at Murchison, South Farrell and North Mt Farrell Mine workings.

Compilation of extensive historic exploration data was ongoing including 3D modelling of the historic workings. The aim is to develop this prospect into an advanced stage drilling project as quickly as possible. A Mineral resource has previously been reported for North Farrell comprising 180,000 tonnes at 11% Pb, 11 oz./t Ag and 4% Zn, of which 28% is in the Measured, 12% in the Indicated and 60% in the Inferred JORC classifications.

The project area is well located with respect to roads and processing infrastructure and has excellent potential to generate additional mineral resources particularly at the largely untested southern end.

## **B. GOLD**

No significant activities this quarter due to other commitments.

## **C. NICKEL & PLATINUM GROUP METALS**

### **C.1 Heazlewood (Ni-Cu-PGM potential)**

*(EL31/2003 Bass Metals earning 70% from Pioneer Nickel Limited)*

This licence is considered prospective for nickel and platinum group metal deposits, based on intrusive-related and carbonate-replacement base metal, and ultramafic/granite contact aureole (Avebury nickel style) deposit styles.

Soil sampling concluded at Heazlewood during the quarter. All assay results for the 473 samples were received and statistical analysis of the data together with geological considerations has identified three main nickel prospects (refer Figure 5);

1. *Wilson* – Anomaly has an areal extent of 450m by 800m at a 3000ppm Ni contour (peak 5135ppm Ni) within an interpreted fold closure. The anomaly is considered open to the north-east.
2. *Stone* – Anomaly covers an area 350m by 400m (peak 4736ppm Ni) between historic workings (Fentons and 19 Mile Ck) over interpreted synclinal fold closure and adjacent to regional faults. The anomaly is considered open along strike both north and south.
3. *Pitt* – Anomaly has a narrow 50m by 400m extent (peak 3642ppm Ni) similar to local shear-hosted mineralisation. It is situated in a favourable structural position within an anticlinal fold closure in the area of historic Lord Brassy Mine (Ni).

Also of interest are anomalous Pb and Zn results adjacent to the thrust fault contact in the Jones Ck area, and historic gold anomalism in rock chips in the area of Lord Brassy.

No significant PGM anomalism has been identified within the recent soil grid.

The next phase of exploration will involve using infill soil sampling and geophysical methods to identify and possibly delineate shallow conductors indicating zones of nickel mineralisation.

*The information within this report that relates to exploration results is based on information compiled by Mr Mike Rosenstreich who is a full time employee of the Company and is a Member of The Australasian Institute of Mining and Metallurgy. He has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and consents to the inclusion of this information in the form and context in which it appears in this report.*

## **D. CORPORATE ACTIVITIES**

As at the end of the quarter the company's cash at bank stands at \$4.61 million. The movement in the cash position was largely due to:

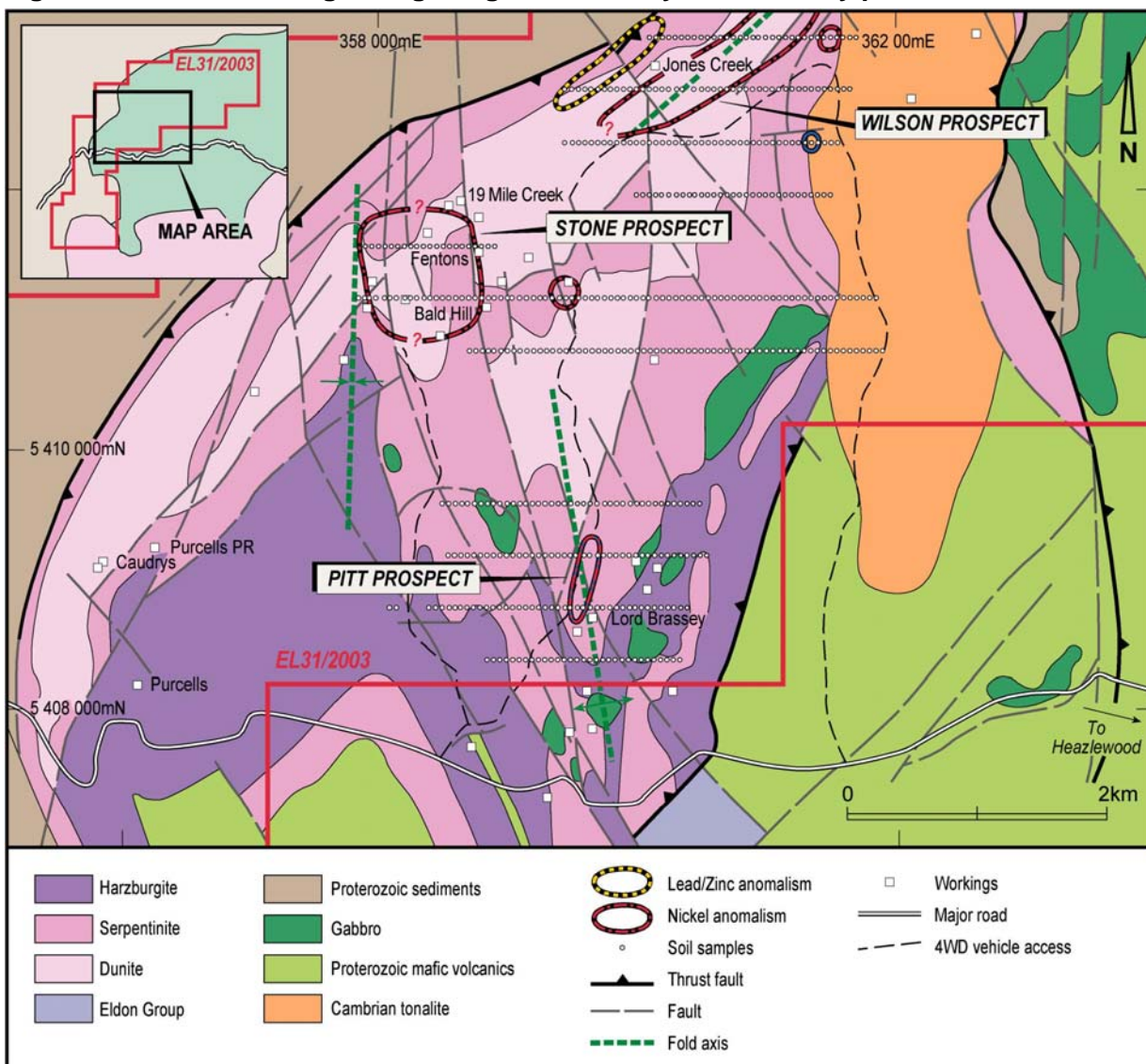
- \$4.97 million comprising proceeds from the issue of shares during the rights issue and early exercise of options maturing 31 July 2007; and
- cash outflows on exploration expenditure of \$1.35 million, and
- administration expenses of \$0.28 million.

The exploration expenditure above does not include a contribution by Zinifex of \$0.17million for costs associated with the HEA during the June quarter, which is expected in the September 2007 quarter.

On 26<sup>th</sup> June 2007 the company announced that an off take agreement with Zinifex had been signed which included the receipt of a commitment fee of \$0.10 million. These funds have been received by the company on the 2<sup>nd</sup> July 2007 and will form part of the September 2007 Appendix 5B quarterly report.

Mr Lee Henley commenced as full time Financial Controller for BSM on the 10 April 2007. Mr Henley has over eight years experience in commerce-related roles, and six years experience in public practise accountancy including two years with accountancy group, HLB Mann Judd. He is a Chartered Accountant and holds a Bachelor of Commerce from the University of Western Australia.

**Figure 5: Heazlewood regional geological summary and anomaly positions**



# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

<b>Bass Metals Ltd</b>
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ABN

<b>31 109 933 995</b>
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Quarter ended ("current quarter")

<b>30 June 2007</b>
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (.12months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(1,348)	(4,053)
(b) development	-	-
(c) production	-	-
(d) administration	(279)	(972)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	72	153
1.5 Interest and other costs of finance paid	(2)	(8)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
<b>Net Operating Cash Flows</b>	<b>(1,557)</b>	<b>(4,880)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	(245)
(b)equity investments	-	-
(c) other fixed assets	(8)	(212)
1.9 Proceeds from sale of:		
(a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(8)</b>	<b>(457)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,565)</b>	<b>(5,337)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,565)	(5,337)
<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	4,965	9,120
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(5)	(16)
1.18	Dividends paid	-	-
1.19	Costs of share issues	(293)	(436)
	<b>Net financing cash flows</b>	<b>4,667</b>	<b>8,668</b>
<b>Net increase (decrease) in cash held</b>			
		3,102	3,331
1.20	Cash at beginning of quarter/year to date	1,508	1,279
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>4,610</b>	<b>4,610</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	64
1.24	Aggregate amount of loans to the parties included in item 1.10	

1.25 Explanation necessary for an understanding of the transactions

All transactions with directors and their related parties are on normal commercial terms

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.

### Financing facilities available

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	670
4.2 Development	1,670
<b>Total</b>	<b>2,340</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	50	308
5.2 Deposits at call	4,560	1,200
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter</b> (item 1.22)	<b>4,610</b>	<b>1,508</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	84,358,843	72,313,914		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	16,715,054	16,715,054	28 cents	28 cents
	783,130	783,130	25 cents	25 cents
	625	625	40 cents	40 cents
7.5 <b>+Convertible debt securities</b> <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>	5,141,849	4,978,099	<i>Exercise price</i> 25 cents	<i>Expiry date</i> 31.07.07
	1,365,000	-	25 cents	31.12.07
	350,000	-	30 cents	31.12.07
	350,000	-	35 cents	31.12.07
	4,178,189	4,178,189	40 cents	30.04.10
	1,600,000		27.5 cents	22.12.11
	500,000		37.5 cents	31.12.11
7.8 Issued during quarter	4,178,814	4,178,814	40 cents	30.04.10
7.9 Exercised during quarter	783,130	783,130	25 cents	25 cents
	625	625	40 cents	40 cents

+ See chapter 19 for defined terms.

