



HALF YEAR REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007

Directors' Report	2
Review of Operations	3
• Introduction	3
• Base Metals	3
- Production at Que River Mine	3
- Advanced projects	5
- Early Stage Exploration	8
• Gold	8
• Nickel & Other Commodities	8
• Corporate Administration	8
• Financial Position	8
Financial Statements	
• Income Statement	10
• Balance Sheet	11
• Statement of Changes in Equity	12
• Cash Flow Statement	13
• Notes to the Financial Statements	14
Directors' Declaration	20
Auditor's Independence Declaration	21
Independent Review Report to Members	22

Directors' Report

Your Directors submit their report on Bass Metals Ltd for the half-year ended 31 December 2007.

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

Directors

The Company's directors in office during the half-year and until the date of this report are as follows:

Don Boyer – Non-executive Chairman

Michael Rosenstreich – Managing Director

Craig McGown – Non-executive Director

Kieran Rodgers – Non-executive Director

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

REVIEW OF OPERATIONS

INTRODUCTION

The Company is transitioning into a productive mining business whilst maintaining an active exploration programme over its dominant ground holdings in the highly prospective Mt Read volcanic belt in North West Tasmania (Refer Figure 1). The following commentary and financial statements reflect this transformation process.

BASE METALS

Production – Que River Mine (100% Bass Metals Ltd)

Summary

- Mining operations and ore sales to Zinifex's Rosebery operation commenced in late September and successfully ramped up with a total of 9,786 tonnes of ore mined and 7,044 tonnes of ore grading 10.7 % Zn, 6.6 % Pb, 102 g/t Ag and 2.0 g/t Au sold.
- Revenues from ordinary activities for the Half Year of \$1.9 million at \$274/t sold.
- Costs of sales for the period were \$1.4 million at \$196/t ore sold.
- The outlook for the mining operation is for consistent higher production rates in the March 2008 quarter at improved operating margins, with operating costs trending downward to the budgeted level of \$174/t subject to realised metal prices.

Production

Site establishment and mining activities commenced in September 2007. After delays of several weeks caused mainly by exceptionally high rainfall in October the Que River mine capital works are now largely completed and the mine has ramped up production and is on track to achieve regular monthly ore sales of approximately 5,000 tonnes per month in the March quarter. Mine productivity has improved through the period and to date a total of 129,456 bcm of material has been moved at an average waste to ore ratio of 53:1 (volume basis) or 19.7:1 (tonnage basis).

Ore production statistics for the half year to 31 December 2007 are presented in Table 1.

Table 1: Mining Summary

	Tonnes**	Zn (%)	Pb (%)	Ag (g/t)	Au (g/t)	Cu (%)
Opening Stocks at QR	nil	-	-	-	-	-
Ore mined*	9,786	10.2	5.4	60	1.1	0.4
Ore Delivered to ZFX (dmt)	7,044	10.7	6.6	102	2.0	0.5
Remaining Stocks at QR	2,551	9.8	5.2	72	1.1	0.4

* "Remaining Stocks" and "Mined" are estimates from grade control

** All "tonnes" are wet metric tonnes(wmt) containing approximately 4% moisture unless otherwise stated

Revenue & Costs

Revenues for the period are \$1.9 million or at \$274/t sold. This is however contingent on commodity price movements in the coming months. Under the terms of the Ore Sales agreement with Zinifex the Quotation Period during which the final metal price received is fixed varies from 1 month to 6 months after the month of delivery depending on the metal. The most recent monthly average metal price has been used prior to reaching the Quotation Period.

Cost of sales for the half year period are \$1.4 million or \$196/t ore sold. The ramp-up phase is essentially complete and the outlook is for operating costs to trend toward target at \$174/ t with increased productivity. The capital cost associated specifically with the mine establishment (that is excluding mine development and prefeasibility costs) is \$398,308, which is also inline with the mine plan.

The outlook is for improved operating margins due to productivity improvements and continuing positive grade reconciliations, however this is subject to future metal prices and smelter charges which may affect the Company's ore sales terms with Zinifex which are due for revision in early 2008.

Legend:

- Mid Cambrian Mount Read Volcanics
- Devonian Granite
- 100% BSM
- 75% BSM, 25% CLY
- 70% BSM, 30% PIO
- 60% BSM, 40% ADU
- Major fault
- Major deposits - in production
- Major deposits - abandoned
- Bass Metals Prospect
- Bass Metals Target
- Town
- Major road

Map Labels:

- BASS STRAIT
- BURNIE
- PENGUIN
- 5 440 000mN
- EL52/2004 Loyateah
- EL51/2004 Wilmot
- EL04/2005 Highclere
- EL38/2005 Grass Ridge
- EL53/2004 Leven River
- EL64/2004 Waratah
- EL31/2003 Heazlewood
- HEAZLEWOOD Ni
- Savage River
- 5 400 000mN
- EL36/2003 Whyte River
- EL16/2006 Pinnacles
- EL03/2005 Huskisson
- Mt Charter Au
- QUE RIVER MINE Zn-Pb-Ag-Au-Cu
- HELLYER Zn-Pb-Cu-Ag-Au
- IRIS RIVER Pb-Zn-Ag
- EL28/2002 Bonds Range
- EL48/2003
- NORTH ROSEBERY Zn-Pb-Cu-Ag-Au
- FARRELL Zn-Pb-Ag
- EL47/2003
- EL55/2004
- EL54/2004 North Rosebery
- Rosebery
- Renison
- 7
- 4
- 6
- Henty
- EL29/2002 Selina
- 1
- Mount Lyell
- EL02/2005 Lynchford
- 360 000mE
- STRAHAN
- SOUTHERN OCEAN

LOCAL METAL ENDOWMENT

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

DEVONIAN INTRUSION RELATED					
Deposit	Mt	Cu%	Sn%	Ni%	Au g/t
6 Henty	2.8	-	-	-	12.5
7 Renison	31.1	-	1.4	-	-
8 Mt. Bischoff	10.5	-	1.1	-	-
9 Avebury	11.6	-	-	1.0	-

TENEMENT LOCATION PLAN

0 10 20km

400 000mE

Advanced Projects

Hellyer Mine Project (100% Bass Metals Ltd)

Summary

- An initial combined Mineral Resource (Indicated and Inferred) of 748,000 tonnes grading 7% Zn, 4% Pb, 0.3% Cu, 87 g/t silver and 1.3 g/t gold has been estimated for the Hellyer Mine Project.
- Diamond drilling commenced and is ongoing at the Fossey Zone, an unmined, shallow southerly extension of the Hellyer mineralised system. Drilling highlights for the period include:
 - ♦ HLD957: 57 metres at 9.2% Zn, 4.7% Pb, 94g/t Ag & 2.9 g/t Au;
 - ♦ HLD958: 19.0 metres at 8.4% Zn, 3.5% Pb, 82 g/t Ag & 3.3g/t Au; and,
 - ♦ HLD959: 19.1 metres at 7.2% Zn, 3.5% Pb, 65 g/t Ag & 2.1 g/t Au.

The combined Que River and HMP Mineral Resources comprise a resource inventory of 1.5mt at attractive high grades, with potentially straight forward mine access and well located with respect to two operational processing plants and associated infrastructure. Assessing the development options for this major asset base is a priority for 2008.

Hellyer Mine Project (HMP) Mineral Resource

An initial combined Mineral Resource (Indicated and Inferred) prepared by Coffey Mining and reported in accordance with the JORC Code is presented in Table 2. Full details on the Mineral Resource estimate are available in the Company's report to ASX on the 26 October 2007. This does not include the unmined Fossey Zone (formerly known as the Southern Barite Lens). The initial Mineral Resource estimate for the HMP represents a significant milestone for the Company towards expanding its base metal resources and potentially its production profile.

Table 2: Hellyer Mine Project Mineral Resource

Summary of Classified Hellyer Mineral Resources as at October 2007							
>5% Combined Pb + Zn Lower Cut Off							
Mineralisation Type	JORC Code Category	Tonnes (000's)	Zn %	Pb %	Cu %	Ag g/t	Au g/t
Stringer Zones	Indicated	255	4.4	2.7	0.4	48	0.9
Base Metals Sulphide	Indicated	190	10.6	6.0	0.4	145	2.0
Remnant Pillar & Surrounds	Indicated	195	6.4	3.8	0.3	70	1.2
TOTAL INDICATED		641	6.8	4.0	0.4	83	1.3
Stringer Zones	Inferred	24	7.3	3.6	0.1	69	0.9
Base Metals Sulphide	Inferred	27	8.9	5.7	0.2	138	1.7
Remnant Pillar & Surrounds	Inferred	56	8.0	5.1	0.3	109	1.6
TOTAL INFERRED		107	8.1	4.9	0.2	107	1.5
TOTAL MINERAL RESOURCE		748	7.0	4.1	0.3	87	1.3

Note the above results have been rounded

Fossey Zone

Drilling at HMP continued to focus on testing for high grade massive sulphide mineralisation at the Fossey Zone, located "up-plunge" and immediately to the south of the HMP Mineral Resource.

In September 2007, after completing drill holes HLD954 to 956, HLD957 located 50 metres to the north intersected 57 metres downhole grading 9.2% Zn, 4.7% Pb, 94 g/t Ag and 2.89 g/t Au within a broader altered and mineralised envelope. The greater than expected vertical extent of the high grade mineralisation intersected highlighted the potential for several thick steeply dipping lens positions. Subsequent drilling to the end of the year has confirmed this interpretation increasing the tonnage potential from the historic interpretation of a single flat lying lens. Assay results for drill holes completed during the period are summarised in Table 3. As at 31 December 2007, drill hole HLD959 was at 101 metres downhole, when drilling resumed in January 2008 it intersected several zones of high grade base metal sulphide mineralisation. A schematic drill hole location plan with summary assays is presented in Figures 2.

Figure 2: Fossey Zone drill hole location and assay plan

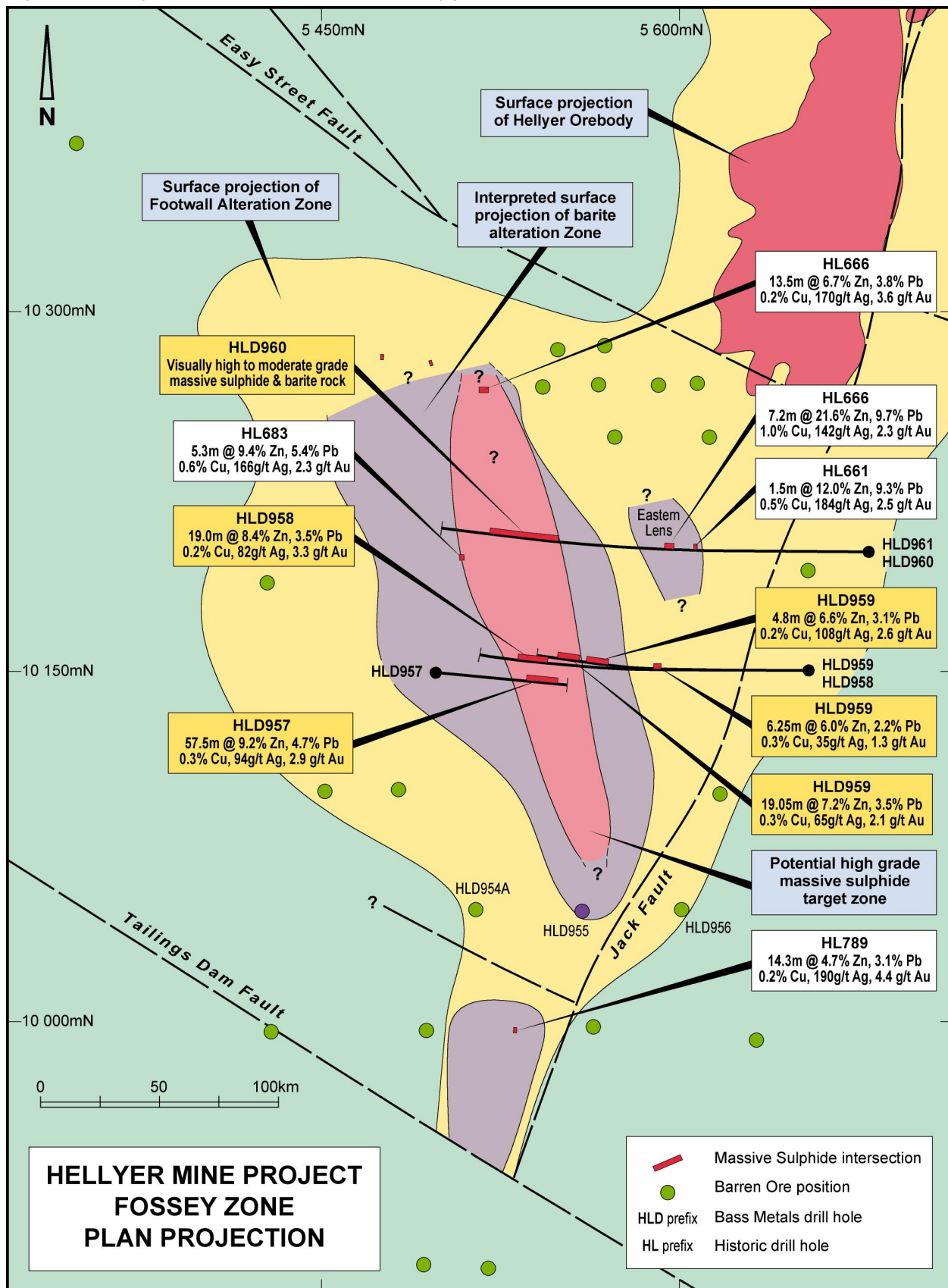


Table 3: Fossey Zone Assay Summary (at a 5% Pb+Zn cut-off)

From (m)	To (m)	Drilled Interval (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
<i>HLD954a & b – no significant assays (Drill Section 10,100mN)</i>							
<i>HLD955 – no significant assays (Drill Section 10,100mN)</i>							
<i>HLD956 – no significant assays (Drill Section 10,100mN)</i>							
<i>HLD957 (Drill Section 10,150mN)</i>							
181.0	238.5	57.5	9.2	4.7	0.3	94	2.85
<i>Including</i>							
184.1	186.0	1.9	14.7	7.1	0.3	143	1.74
192.35	204.0	11.65	13.8	8.3	0.5	144	3.23
224.4	228.9	4.5	21.0	9.7	0.6	160	2.42
<i>Within a zone defined at a 0.5 g/t Au cut-off</i>							
156.35	236.50	80.15	6.8	3.4	0.2	75	2.40
<i>HLD958 (Drill Section 10,150mN)</i>							
137.8	142.3	4.5	10.3	6.8	0.4	100	2.41
226.0	245.0	19.0	8.4	3.5	0.2	82	3.26
256.4	261.0	4.6	8.6	5.8	0.3	91	1.2
<i>Including</i>							
226.0	231.9	5.9	16.2	7.3	0.4	165	3.16
243.15	245.0	1.85	9.8	5.0	0.3	76	2.65
<i>Within a zone defined at a 0.5 g/t Au cut-off</i>							
177.7	261.0	83.3	3.0	1.3	0.1	47	1.79

It is intended that the rig will remain on the Fossey Zone until sufficient information has been collected to enable an initial Mineral Resource estimate to be completed. The Fossey Zone mineralisation lies very close to, and “up-plunge” from, the recently completed Hellyer Mineral Resource and the Company considers that there is excellent potential for this zone to be included in its Hellyer Mine project scoping studies.

Que River (100% Bass Metals Ltd)

Completed diamond drill hole testing a geophysical target beneath S-Lens; whilst no massive base metal sulphide was intersected a follow-up downhole survey suggests that the target was not intersected and may lie above and to the south original interpreted position.

Magnet Mine (75% Bass Metals Ltd, 25% Clancy Exploration Limited)

A shallow diamond drilling programme testing the resource potential around the historic high grade Magnet lead-silver-zinc mine was approved by Mineral Resources Tasmania (MRT). Access and site works were completed in late 2007 and drilling is scheduled to commence in early 2008.

Farrell Line Project (100% Bass Metals Ltd)

The Farrell Line project comprises a 4 km strike extent of the Henty Fault zone with numerous historic Pb-Ag-Zn mines with total historic production from MRT records of approximately 700,000t grading 13% Pb, 14 oz/t Ag and 2% Zn. During the period work comprised data compilation and modelling of the numerous historic lodes and mine workings. A drill programme was submitted to MRT for approval. High grade rock-chip samples from mullock dumps along the Farrell Line workings included a sample at 824 g/t

Ag, 16.3% Zn and 11.3% Pb and another at 648g/t Ag, 26.3% Zn and 14.3 % Pb confirming the Zn potential as well as the overall high tenor mineralisation in this area.

Early Stage Exploration

Hellyer Exploration Alliance (HEA)

Five diamond drill holes were completed to conclude the drilling phase of the HEA exploration programme managed by Bass Metals and being jointly funded with Zinifex Limited. Significant volcanic hosted massive sulphide (VHMS) style alteration was discovered and intersected several times in the prospective new Switchback Target area, with anomalous Pb, Zn and Au assays returned. Recent Pb isotope analysis supports Bass Metals' interpretation of the Switchback alteration representing a new VHMS system distinct from either the nearby Que River or Hellyer VHMS deposits.

Bonds Range (Bass Metals Ltd 60%, Adamus Resources Ltd 40%)

During the period another extension to the existing soil sampling grid was completed to infill and map the extent of the Pb in soil anomaly. Subsequently drilling resumed at the Iris River prospect but as at the end of the year, no mineralisation was intersected in the 3 holes completed and the programme will likely be halted early.

Oonah (75% Bass Metals Ltd, 25% Clancy Exploration Limited)

Recent mapping and high grade rock chip sampling results at Oonah highlight this as an emerging advanced drill target. The Oonah prospect comprises targets associated with several historic high grade Pb-Ag-Zn and tin (Sn) mines as well as more conceptual large scale Pb-Zn-Ag and Sn targets. Work commenced on both fronts with sampling around historic workings yielding high grade rock chip assays including:

- Montana Mine – insitu rock chips of 846g/t Ag, 15.4% Zn & 15.3% Pb and 422g/t Ag, 7.5% Zn & 13.1 % Pb from the open pit highlighting the potential to extend shallow high grade mineralisation.
- Oonah Mine – mullock dump samples assaying; 4% Cu and another 3.0% Sn, 1.1% Cu & 252 g/t Ag and another at 6.4% Pb, 3.5% Zn, 346g/t Ag & .14% Sn.

A regional soil sampling programme was also completed and all assays are pending.

GOLD

The Company continued activities on its gold projects which includes the 100% owned Mt Charter Gold-Silver Mineral Resource and the Sterling Valley gold project. Further drilling and evaluation work is planned.

NICKEL & PLATINUM GROUP METALS (PGM)

Three nickel-in-soil anomalies were identified at Heazlewood in favourable geological positions. The higher priority Wilson Prospect soil grid was subsequently extended and the anomaly, at a 3,000ppm nickel contour now occurs over a distance of 1,500 metres over favourable differentiated ultramafic units and remains open along strike.

An airborne VTEM type geophysical survey to define drill targets is planned for the first quarter of 2008.

CORPORATE ADMINISTRATION

Initial lead and zinc and currency hedging programme utilising purchased options were completed. This provides a floor price protective structure against further price falls whilst giving the Company full exposure to rising metal prices.

Negotiations are ongoing for a \$5 million banking line with Investec Bank comprising; \$2.0 million Cash Advance, \$2.5 million Receivables and a \$0.5 million Bond facilities. As part of this process, Shareholders approved the issue of up to 4,230,159 options to Investec comprising two Tranches; Tranche A - 3,300,000 options exercisable at \$0.58 and Tranche B - 930,159 options exercisable at \$0.63 on the 17 December 2007.

FINANCIAL POSITION

As at the end of the half year the Company had net cash balances of \$6,159,987. Carried forward exploration expenditure was \$8,766,396 and net assets of the Company were \$20,054,670.

During the half year the Company issued 19,189,960 fully paid ordinary shares raising a total before costs of \$6,988,839 cash funds, and issued capital increased to \$22,091,969.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page 21.

Signed in accordance with a resolution of the directors:



M Rosenstreich
Managing Director

West Perth, Western Australia
14th March 2008

**INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

		Half year ended	
	Note	31 Dec 2007	31 Dec 2006
		\$	\$
Revenue	2	1,931,638	-
Cost of sales	3	(1,380,640)	-
Gross Profit		550,998	-
Other revenues	2	365,340	143,925
Other expenses	3	(1,247,879)	(492,186)
Share based payment expenses	3	(99,805)	(393,392)
Finance costs	3	(3,168)	(3,302)
Loss before income tax		(434,514)	(744,955)
Income tax expense		-	-
Loss after income tax		(434,514)	(744,955)
Basic and diluted loss per share (cents)		(0.0047)	(0.0139)

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

**BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Note	31 Dec 2007 \$	30 June 2007 \$
CURRENT ASSETS			
Cash and cash equivalents		6,159,987	4,610,627
Trade and other receivables		1,929,793	669,665
Inventories		514,391	-
Financial assets		1,073,761	-
Total Current Assets		9,677,932	5,280,292
NON-CURRENT ASSETS			
Trade and other receivables		612,100	259,100
Investment		2	2
Plant & equipment		147,835	151,231
Mine properties		2,226,926	-
Capitalised exploration and evaluation	9	8,766,396	8,809,022
Financial assets		1,125,143	-
Total Non-Current Assets		12,878,402	9,219,355
TOTAL ASSETS		22,556,334	14,499,647
CURRENT LIABILITIES			
Trade and other payables		2,005,258	686,238
Interest-bearing liabilities		21,675	19,072
Provisions		324,793	16,166
Total Current Liabilities		2,351,726	721,476
NON CURRENT LIABILITIES			
Interest bearing liabilities		60,938	74,561
Provisions		89,000	-
Total Non Current Liabilities		149,938	74,561
TOTAL LIABILITIES		2,501,664	796,037
NET ASSETS		20,054,670	13,703,610
EQUITY			
Issued capital	4	22,091,969	15,406,200
Reserves		673,965	574,160
Accumulated losses		(2,711,264)	(2,276,750)
TOTAL EQUITY		20,054,670	13,703,610

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Issued Capital	Accumulated Losses	Reserves	Total
	\$	\$	\$	\$
Balance at 01 Jul 2006	5,516,114	(964,748)	159,940	4,711,306
Shares issued during the period	4,396,840	-	-	4,396,840
Share options issued during the period in accordance with AASB 2 - Share Based Payments	-	-	393,392	393,392
Loss attributable to members of parent entity	-	(744,955)	-	(744,955)
Balance at 31 Dec 2006	9,912,954	(1,709,703)	553,332	8,756,583
Balance at 01 Jul 2007	15,406,200	(2,276,750)	574,160	1,370,610
Shares issued during the period	6,685,769	-	-	6,685,769
Share options issued during the period in accordance with AASB 2 - Share based Payments	-	-	99,805	99,805
Loss attributable to members of parent entity	-	(434,514)	-	(434,514)
Balance at 31 Dec 2007	22,091,969	(2,711,264)	673,965	20,054,670

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

**CASH FLOW STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half year ended	
	31 Dec 2007	31 Dec 2006
	\$	\$
Cash flows from operating activities		
Cash receipts in the course of operations	1,378,864	-
Cash payments in the course of operations	(1,389,196)	(401,708)
Other – security deposits	(382,500)	32,500
Interest received	158,520	61,771
Interest paid	(3,168)	(3,302)
Net cash used in operating activities	(237,480)	(310,739)
Cash flows from investing activities		
Payments for plant and equipment	(433,638)	(55,135)
Payments for exploration properties	-	(319,092)
Payments for exploration and evaluation	(1,533,505)	(2,009,762)
Payments for development of mineral properties	(858,339)	-
Payments for derivative financial instruments	(2,133,772)	-
Net cash used in investing activities	(4,959,254)	(2,383,989)
Cash flows from financing activities		
Proceeds from issue of shares	6,988,839	3,200,000
Repayments of borrowings	(11,020)	(8,325)
Costs of share issues	(231,725)	(143,160)
Net cash from financing activities	6,746,094	3,048,515
Net increase in cash held	1,549,360	353,787
Cash at the beginning of the financial period	4,610,627	1,279,180
Cash at the end of the financial period	6,159,987	1,632,967

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

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Accounting Policies

Basis of preparation

The half year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The half year financial report does not include notes of type normally included in an annual report and shall be read in conjunction with the most recent annual financial report.

Accounting estimates

The preparation of the interim financial report requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty are consistent with those of previous financial year and corresponding interim reporting period.

Significant accounting policies

The following significant policies have been adopted in the preparation and presentation of the half year financial report. All other accounting policies adopted are consistent with those of previous financial year and corresponding interim reporting period.

(a) Revenue Recognition

Revenue from the sale of ore is recognised when the product has been delivered and:

- (i) risk has been passed to the customer;
- (ii) the product is in a form suitable for delivery;
- (iii) the quantity of the product can be determined with reasonable accuracy;
- (iv) the product has been delivered to the customer and is no longer under the physical control of the Company;
- (v) the selling price can be determined with reasonable accuracy;

Sales revenue represents gross proceeds receivable from the customer. Sales are initially recognised at an estimated value when the product has been delivered. Adjustments are made to reflect variations in the metal price, assay, weight and currency between the time of delivery and the time of final settlement of sales proceeds.

(b) Derivative financial instruments

The Company has entered into a variety of derivative financial instruments to manage its exposure to commodity price and foreign exchange risk, including AUD and USD put commodity options and AUD call / USD put foreign currency options.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the Income Statement immediately.

1. Summary of Accounting Policies (continued)

(c) Inventories

Inventories are valued at the lower of costs and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a first in first out basis. Net realisable value represents the estimated selling price less all estimated costs of completion.

(d) Mine Properties

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

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

The net carrying value of each area of interest is reviewed regularly and to the extent to which this value exceeds its recoverable amount, the excess is either fully provided against or written off in the financial year in which this is determined.

The Company provides for environmental restoration and rehabilitation at site which include any cost to dismantle and removal of certain items of plant and equipment. The cost of an item includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when an item is acquired or as a consequence of having used the item during that period. This asset is depreciated on the basis of the current estimate of the useful life of the asset.

In accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets an entity is also required to recognise as a provision the best estimate of the present value of expenditure required to settle the obligation. The present value of estimated future cashflows is measured using a current market discount rate.

2. Revenue

	31 Dec 2007	31 Dec 2006
	\$	\$
(a) Revenues from operating activities		
Revenue from ore sales	1,931,638	-
Total revenues from operating activities	1,931,638	-
(b) Revenues from non-operating activities		
Interest received	158,520	61,771
Other revenue - exploration management fees	119,288	82,154
Net gain on derivative financial instruments	87,532	-
Total revenues from non-operating activities	365,340	143,925
Total revenues	2,296,978	143,925

3. Expenses

	31 Dec 2007	31 Dec 2006
	\$	\$
(a) Cost of sales		
Production costs	810,209	-
Deprecation of mine closure and restoration	78,412	
Amortisation of mining properties	160,575	-
Royalties	39,681	-
Treatment charges	291,763	-
Total cost of sales	1,380,640	-
(b) Other expenses		
Administration	833,189	464,105
Depreciation – plant & equipment	38,726	28,081
Exploration expenditure expensed or written off	375,964	-
Total other expenses	1,247,879	492,186
(c) Share based payments		
Share based payments	99,805	393,392
(d) Finance costs		
Finance costs	3,168	3,302
Total expenses	2,731,492	888,880

4. Movements in Issued Capital

	31 Dec 2007	\$	30 June 2007	\$
	Number of Shares		Number of Shares	
At the beginning of the financial period	84,358,843	15,406,200	63,300,013	9,912,954
Issued during the half year				
• Exercise of 25 cents options expiring 31 July 2007 ¹	5,020,551	1,247,012		
• Ordinary shares issued at 32 cents pursuant to the employee share plan on 10 September 2007	25,000	8,000		
• Ordinary shares issued at 42 cents per share pursuant to a placement on 5 November 2007	9,757,442	4,098,126		
• Ordinary shares issued at 42 cents per share pursuant to a placement on 20 December 2007	2,995,717	1,258,201		
• Exercise of 25 cents options expiring 31 December 2007	1,390,000	347,500		
• Exercise of 40 cents options expiring 30 April 2010	1,250	500		
• Ordinary shares issued at 22 cents pursuant to the employee share plan on 28 March 2007			25,000	5,500
• Ordinary shares issued at 28 cents per share pursuant to rights issue prospectus on 23 April 2007			16,715,054	4,680,215
• Exercise of 25 cents options expiring 31 December 2007			750,000	187,500
• Exercise of 25 cents options expiring 31 July 2007			3,568,151	900,164
• Exercise of 40 cents options expiring 30 April 2010			625	250
Less share issue costs		(273,570)		(280,383)
Balance at the end of the financial year.	103,548,803	22,091,969	84,358,843	15,406,200

¹: Included in the number of shares are 32,503 shares which were issued on the 3rd July 2007. The remittance of funds for these shares was received on 29th June 2007.

5 Segment Reporting

The company operates within one business and one geographical segment, being the mineral exploration, development and extraction industry within Australia.

6. Contingent Liabilities

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

7. Subsequent Events

On the 31 January 2008 EL29/2002 Selina tenement licence was relinquished. The resulting impairment losses have been expensed in the Income Statement during this financial period.

No other significant events have occurred subsequent to the half year that would have material effect on the half year report.

8. Share Based Payments

- (a) On 10 September 2007, 75,000 unlisted options exercisable at 25 cents on or before 31 December 2007 were issued to Dr. Travis Murphy. The securities were issued pursuant to the Company employee share option plan.

Fair value at grant date ¹	\$0.064
Share price	\$0.29
Exercise price	\$0.25
Volatility factor	63.4%
Expiry date of the options	31 December 2007
Risk free interest rate ²	6.50%

¹: The basis of measuring fair value of the options was the Black-Scholes Option Pricing Model.

²: Based on the 4 year Commonwealth Government Bond rate on 10 September 2007.

- (b) On 31 December 2006, 450,000 unlisted Options exercisable at \$0.25 each on or before 31 December 2011 were issued to employee's of the Company pursuant to the Company employee share option plan approved at the 2007 Annual General Meeting of Shareholders. These options vested on 31 December 2007.

Fair value at grant date ³	\$0.184
Share price	\$0.345
Exercise price	\$0.375
Volatility factor	65.3%
Expiry date of the options	31 December 2011
Risk free interest rate ⁴	6.64%

³: The basis of measuring fair value of the options was the Black-Scholes Option Pricing Model.

⁴: Based on the 4 year Commonwealth Government Bond rate on 31 December 2007.

9. Exploration and Evaluation Expenditure

	31 Dec 2007	30 June 2007
	\$	\$
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	8,809,022	6,989,338
Exploration properties acquired	-	16,500
Expenditure capitalised for the period	1,155,604	1,844,676
Impairment losses resulting from relinquished tenements	(375,964)	-
Transfer to mine properties for development of Que River	(822,266)	-
Write-off of project evaluation expenditure	-	(41,492)
Balance at the end of the period	8,766,396	8,809,022

10. Capital and Leasing Commitments

There has been no significant change to capital and leasing commitments disclosed in the annual report at 30 June 2007.

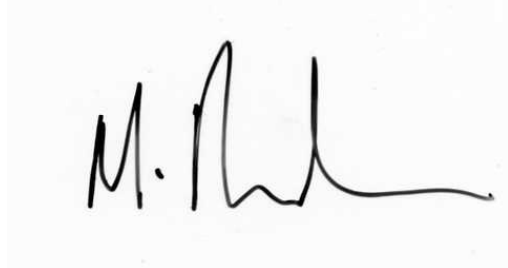
DIRECTORS' DECLARATION

In the opinion of the directors of Bass Metals Limited ("the Company"):

1. The financial statements and notes set out on pages 10 to 19 are in accordance with the Corporations Act 2001 including:
 - (a) giving a true and fair view of the financial position of the Company as at 31 December 2007 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Perth, Western Australia this 14th day of March 2008.

Signed in accordance with a resolution of the directors:



M Rosenstreich
Managing Director

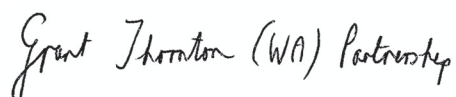
Grant Thornton (WA) Partnership
ABN: 17 735 344 518
Level 1
10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872
T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF BASS METALS LTD

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Bass Metals Ltd for the half-year ended 31 December 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) No contraventions of any applicable code of professional conduct in relation to the review.



GRANT THORNTON (WA) PARTNERSHIP



J W VIBERT
Partner
Perth

Date: 14 March 2008

Grant Thornton (WA) Partnership
ABN: 17 735 344 518
Level 1
10 Kings Park Road
West Perth WA 6005
PO BOX 570
West Perth WA 6872
T +61 8 9480 2000
F +61 8 9322 7787
E admin@gtwa.com.au
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF BASS METALS LTD

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Bass Metals Ltd, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, and other selected explanatory notes.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagement ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of Bass Metals Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

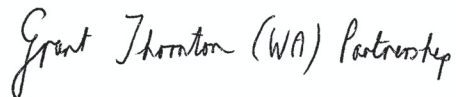
Independence

In conducting our review, we complied with the independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

Conclusion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the half-year ended on that date.
- (b) complying with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.



GRANT THORNTON (WA) PARTNERSHIP



J W VIBERT
Partner
Perth, WA

Date: 14 March 2008