

16 September 2010

The Manager Companies
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

OPERATIONS UPDATE

Bass Metals Ltd (ASX:BSM) is pleased to provide the following update in relation to its development and mining operations in north-west Tasmania.

HELLYER MINE PROJECT (HMP)

Project Financing

Bass has completed its prerequisite hedging programme for the RMB Resources \$12 million project loan facility.

The hedging comprises zinc and lead forward contracts at flat prices of A\$2,460/tonne zinc and A\$2,410/tonne lead; an excellent outcome compared to the Feasibility Study price assumptions of A\$2,241/tonne and A\$2,414 respectively. Bass has secured these attractive price levels for 13,656 tonnes of zinc and 8,409 tonnes of lead which represents approximately 30% of the payable zinc and lead production from the Fossey Deposit; providing a very robust level of price certain revenue whilst retaining significant price leverage to any upside..

Mining

The Fossey decline is at approximately 730 metres, with the power and water pumping system upgrade largely complete. The raise boring process to install ventilation shafts and an emergency egress system has also commenced.

Hellyer Mill

The refurbishment of the Hellyer Mill is approximately 70% complete with costs to date consistent with the planned expenditure schedule. Commissioning on waste rock and then mineralised waste material from Que River is planned to commence in November 2010.

QUE RIVER MINE

The mining operations at Que River were completed in early September as planned and the final ore deliveries for sale to MMG Australia at Rosebery will be completed through September.

COMMENTARY

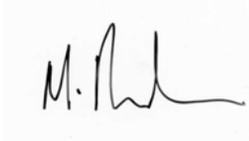
The Fossey mine development has encountered unexpected highly charged water bearing structures, but it is manageable. Indeed, the mine pumping and electrical power systems have been upgraded significantly to deal with the existing dewatering demand and potential further unplanned increases. The decline, associated stockpile drives and other underground infrastructure are advancing consistent with Bass' previous update highlighting concentrate production in January 2011.

Hedging is regarded by the Company as a prudent commodity price risk management strategy. The prices locked in for that 30% portion of payable zinc and lead are regarded as attractive and represents a significant improvement to the sales outcomes for the Hellyer Operating Plan reported previously.

Que River has been a wonderful operation for Bass, mined in alliance with Mancala Mining it has contributed in excess of \$25 million in cash flow establishing a sound growth platform for the Company. The remaining resources at Que River will be assessed as part of the HMP, phase 2 project.

I would like to take this opportunity to note the passing of Mr. Andrew Platts, a metallurgist with over 20 years of research and operating history at Hellyer. Over the past 5 years, despite battling a severe illness Andrew made significant contributions to Bass' assessment and implementation of the HMP. His expertise, pragmatic approach and wry sense of humour will be missed and on behalf of the Company I extend our sincere condolences to his family.

Yours Sincerely



Mike Rosenstreich
Managing Director

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