

7 June 2011

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

Dear Sir

### **Hellyer Mine– Operational Update**

Bass Metals Ltd (ASX:BSM), is taking this opportunity to update the market on the performance of the Hellyer mining operations, being the first update since the ASX announcement on 12 May, 2011, in particular two matters which emerged late last week at its Hellyer mining operations in North West Tasmania.

#### **1. Mine Dewatering**

Bass Metals has an effective mine dewatering programme and work practices in place to manage the usual water ingress associated with its underground mine development activities. However while advancing the Fossey decline at the 445 metre level a fault structure was intersected resulting in a high water ingress rate into the decline estimated to be approximately 80 to 100 litres/sec. An upgrade to the dewatering infrastructure was quickly installed and this set-up is managing the water inflow adequately.

This increased water ingress is occurring below the current ore production level which is at the 465 metre level and is presently not affecting the current stope areas. Ore production is continuing and there were only relatively minor disruptions when the operational focus was on installing additional dewatering services.

Since Sunday 5 June there has been an easing in the rate of water inflow. In the past, water flow from similar structures, but at lower flow rates has dissipated after several days to weeks. The total outflow being pumped from the mine peaked in the range of 150 to 200 litres/sec. which is the current maximum capacity of the dewatering system.

#### **2. Mill Head Grade**

The fourth milling campaign has been underway since the 23 May 2011 and has treated approximately 30,000 tonnes to 7 am Tuesday 7 June and still has another 2 weeks to run, (Note that whilst mining is continuous, milling operates on a 4 weeks on 4 weeks off campaign basis). The mill is operating successfully but the average zinc grade over the 3 to 4 days up to Friday 3 June has been persistently below expectation. The anticipated zinc head grade was approximately 6% based on ore sourced and blended from 3 stopes. However the average zinc grade through the Mill during the current, fourth milling campaign has been 4.9%, i.e. 18% less, with a similar trend for lead grades.

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Early reconciliation analysis indicates one of these three stopes is underperforming grade-wise and the Company has adopted a cautionary approach by reporting this position, recognising that it is too early to draw any firm conclusions on the grade distribution. To date approximately 120,000 tonnes of ore has been mined representing 11% of the Fossey Mine Plan and therefore only still a small sample of the overall resource.

The original Fossey Mine Plan was based on the 25 metre spaced diamond drilling undertaken from surface; the grade-control diamond drilling from underground to infill that spacing was completed on 30 May 2011. Work is in progress to complete the logging and assaying of that grade control drill-core and update the current resource model to reconcile with production to date and if necessary produce a revised Mine Plan. This is expected to be completed in 3 to 4 weeks time.

### Commentary

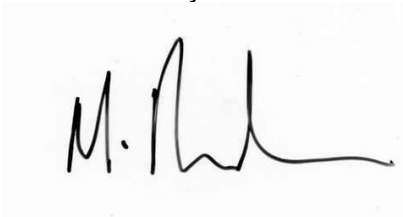
Notwithstanding the dewatering issue discussed above, it is a credit to the team that ore is still being produced at the planned rates consistent with the mining schedule with no incidents or accidents. The water ingress rate appears to be easing since Sunday 5<sup>th</sup> June and further upgrades to the dewatering infrastructure are being assessed to manage the current increased duty and the possibility of intersecting new water sources.

The Hellyer Mill is continuing to operate well, achieving good availability, throughput and recovery given the reduced grades to date, with the lead circuit modifications clearly improving lead performance. Concentrate production for the current campaign, to 7 am this morning is estimated to comprise:

- 1,662 tonnes of zinc concentrate grading 51% zinc and 115 g/t silver, 1.0 g/t gold.
- 774 tonnes of lead concentrate grading 51% lead and 832 g/t silver, 2.5 g/t gold.
- 133 tonnes of copper concentrate grading 16% copper, 5,500 g/t silver, 8.9 g/t gold and 9.8% lead.

The Company is in the process of resolving these unexpected technical issues and it is too early to make any accurate assessment of the potential production and financial impact of these issues on the Hellyer Mine project. The Company will provide further updates as the relevant information becomes available.

Yours Sincerely



Mike Rosenstreich  
*Managing Director*

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## Competent Persons Statement

### ***Mineral Resources & Exploration Results***

The information within this report that relates to exploration results and Mineral Resource estimates is based on information compiled by Mr Kim Denwer and Mr Michael Rosenstreich who are both full time employees of the Company. Mr Rosenstreich is a Member of The Australasian Institute of Mining and Metallurgy and Mr Denwer is a Member of the Australian Institute of Geoscientists. They both, individually have 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(s) as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)" and they consent to the inclusion of this information in the form and context in which it appears in this report.

### ***Ore Reserves***

The information in this report that relates to the Fossey Ore Reserve estimates is based on information compiled by Mr Victor Rajasooriar who is a full time employee of the Company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Rajasooriar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves (the JORC Code)". Mr Rajasooriar consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

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