

11 November 2011

Operations Update Further Demonstrates Bass Metal's Improving Performance at Hellyer

HIGHLIGHTS:

- Ore production FY to date achieves budget tonnes and higher than budget grades.
- 8% above budget zinc concentrate production, with 3% greater recovered zinc metal.
- 12% above budget lead concentrate production with 8% greater recovered lead metal.
- Operating costs on budget.
- Production figures indicate excess water and low grade issues now resolved

Polymetallic producer **Bass Metals Ltd** (ASX: **BSM**) ("**Bass**" or "**the Company**") is pleased to provide an update of its Hellyer mining and processing operations in northwest Tasmania which further demonstrates the strong turn-around the Company has achieved in recent months.

Mining – Fossey Underground Mine:

Ore production from the Fossey underground mine for the financial year to date has achieved budgeted levels in terms of tonnage and is consistently better with respect to grades of all payable metals (other than gold) as summarised in Table 1:

Table 1: Ore Production (4 Months to 31 October 2011)

Mine parameter	Units	FY2012-YTD		Variance %
		Actual	Budget	
Ore production	T	136,795	134,065	2
Zinc grade	%	9.0	8.2	10
Lead grade	%	5.2	4.8	8
Silver grade	g/t	107	85	26
Gold grade	g/t	1.5	1.7	-12
Copper grade	%	0.40	0.35	16

Note - Rounding errors may occur

Mine development also progressed well during the last 4 months with 1,007 metres of horizontal development achieved compared to a budget estimate of 896 metres.

An interim view on costs for the period indicates that mining costs are consistent with budget expectations.

The mine production figures for the past 4 months, cited above, indicate that the problems of excess water and low ore grades are now resolved and production is on track and performing strongly.

Processing – Hellyer Concentrator

The sixth milling campaign commenced on 3 October 2011 and concluded on 31 October 2011, having processed approximately 67,000 tonnes of ore, including a small proportion of spillage reclaim. The

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campaign produced above budget tonnages of zinc and lead concentrates, with copper-silver concentrate behind budget, albeit improving, as summarised in Table 2, below.

It is important to note that operationally there has been a deliberate strategy to divert more silver from the copper concentrate into the lead concentrate where the payability is higher with quicker returns. This strategy has been successful as indicated by the comparison of budget and actual lead concentrate - silver grades in Table 2.

Table 2: Processing and Concentrate Production Summary (4 Months to 31 October 2011)

	Units	Sixth Campaign (Oct.)			FY2012 YTD		
		Actual	Budget	% Var.	Actual	Budget	% Var.
Processing							
Mill Feed	T	67,669	67,321	1	120,532	119,336	1
Zinc grade	%	8.8	7.8	13	8.9	8.7	2
Lead grade	%	5.3	4.6	14	5.4	5.0	9
Silver grade	g/t	97	79	23	106	88	21
Gold grade	g/t	2.0	1.6	22	1.9	1.8	6
Copper grade	%	0.4	0.3	33	0.4	0.4	10
Concentrate Production							
Zinc conc.	T	7,775	7,206	8	13,835	14,064	-2
Zinc grade	%	50	52	-5	51.0	52.0	-
Silver grade	g/t	154	150	3	161	150.0	7
Gold grade	g/t	2.2	2.4	-7	1.7	2.4	-29
Lead conc.	T	4,153	3,704	12	7,119	6,996	2
Lead grade	%	56	58	-4	58	58.1	0
Silver grade	g/t	701	478	47	676	478	41
Gold grade	g/t	4.0	2.3	70	2.8	2.3	20
Copper-silver conc.	T	380	562	-32	631	1,125	-44
Copper grade	%	16.8	17.1	-2	18	17	5
Silver grade	g/t	3,889	4,288	-9	4,855	4,276	14
Gold grade	g/t	10	9	14	14.0	9.0	56
Lead grade	%	11	7	10	10	6.7	50

Note: These are preliminary estimates subject to verification through the sales weighing and assaying process.

The overall processing performance continues to improve and the October performance is highly credible given that the Outotec on-line system analyser (OSA) malfunctioned for much of the campaign, impeding the opportunity to further optimise recoveries through the zinc and lead circuits. The OSA has since been fixed by Outotec and further modifications are currently underway on the copper circuit. The increased deportment of silver (and gold) to the lead concentrate reduces the adverse financial impact of lower copper concentrate production.

A preliminary estimate of operating costs for the mill indicates that costs are trending below budget.

Other Operational Developments

To date approximately 5,000 tonnes of zinc and 1,500 tonnes of lead concentrates have been trucked to the Burnie Port with trucking operations ongoing. Preparations are underway to ship the next consignment of copper-precious metals concentrates in containers to Bass Metals' off shore customer.

Bass has recently renegotiated the Milling Royalty with Intec Ltd by prepaying, at a modest discount, Royalties owing for plant utilisation in the September and December (2011) quarters. Intec utilised this cash payment to subscribe for Bass shares under the entitlements offer, short-fall placement capacity. Importantly, Bass has also gained access to Intec's historical operational data on grinding/flotation of the Hellyer tails to produce a saleable bulk zinc/lead/silver concentrate, together with Intec's proprietary testwork data relating to the Hellyer tails at its \$10 million Burnie Demonstration Plant, all of which information may be relevant to the Company's own Gold Recovery project. Consideration for this

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information is an increase to the royalty rate from \$2.5/t to \$3.5/t from 1 January 2012 and an increase to the royalty cap from \$5 million to \$5.72 million.

Commentary

Managing Director, Mike Rosenstreich, said the strong operational performance at Hellyer was another significant chapter in the rejuvenated Bass Metals story.

“The news that we appear to have resolved the water flow and low grade issues comes on the back of our recent announcements that we have successfully recapitalised the Company and are increasing our exploration activities in northwest Tasmania – clear indications that Bass Metals is back on target to achieve its aim of becoming a significant Australian minerals producer.”

COMPETENT PERSONS STATEMENTS

EXPLORATION RESULTS

The information within this report that relates to exploration results is based on information compiled by Mr Kim Denwer who is a full time employee of the Company. Mr Denwer is a Member of the Australian Institute of Geoscientists. Mr Denwer 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 (the JORC Code)” and he consents to the inclusion of this information in the form and context in which it appears in this report.

MINERAL RESOURCES

The information in this report that relates to the Fossey Mineral Resource estimate is based on information compiled by Mr Steve Richardson who is a fulltime employee of the company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Richardson has sufficient experience which is relevant to the style of mineralisation and type of deposit and to the activity which he is undertaking 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 (the JORC Code)”. Mr Richardson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

ORE RESERVES

The information in this report that relates to the Fossey Ore Reserve estimate is based on information compiled by Mr Victor Rajasooriar who is a full time employee of the Company and a Member of the Australian 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 undertaken 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 in the form and context in which it appears.

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About Bass Metals Ltd (ASX: BSM)

Bass Metals Ltd is a growth-focused Australian base and precious metal producer with a portfolio of high quality zinc, lead, copper and gold assets in the rich Mt Read Volcanic belt in northwest Tasmania.

Listing in 2005, Bass has delivered operating profits for the past three years since 2008 based on its profitable base metals production hub at Que River in Tasmania.

The Company's larger transformational Hellyer Mine Project has commenced production from the Fossey deposit, discovered by Bass in September 2007. The planned ore treatment rate is 350,000 tonnes per annum (tpa), through the Hellyer Mill to produce 46,000 tpa of zinc concentrate, 22,000 tpa of lead concentrates and 3,000 tpa of copper-silver-gold concentrates. Bass has off-take contracts for its lead and zinc concentrates with global multi-metals business, Nyrstar, for its copper silver concentrates with LN Metals.

The Company also has an active and successful exploration programme which has yielded new discoveries such as Fossey, Fossey East and McKay as well as new exploration targets through the use of new exploration techniques not applied in the district before. The Company's has significant gold and polymetallic resources and is currently undertaking a feasibility study following on from positive scoping study outcomes indicating the potential to become a long-term, significant scale gold producer.

Bass has differentiated itself through successfully finding high grade polymetallic resources, strategically and incrementally building up its assets and production profile to now become an emerging mid-tier diversified mining business.

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