

13 September 2012

The Manager Companies
Company Announcements
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

BASS TO COMMENCE LEGAL ACTION AGAINST LIONGOLD

Bass Metals Ltd (ASX:BSM) ("**Bass**" or the "**Company**") is writing to update the market on LionGold Corp. Ltd's ("**LionGold**") repudiation of its agreement with Bass to purchase its subsidiary, Hellyer Mill Operations Pty Ltd ("**HMO**"), as reported to ASX on the 4th September 2012. Following LionGold's failure to accept the Company's subsequent request to complete the sale on 7 September, the Company has advised LionGold in writing that, due to LionGold's breaches and further repudiation of the Share Sale Agreement, Bass is terminating the agreement. The Company intends to commence legal actions to recover damages from LionGold.

The Directors of Bass have resolved to pursue this legal action vigorously. Bass will seek a swift and positive result if at all possible but, should legal proceedings become protracted, Bass is prepared to invest the necessary time in those proceedings to achieve a positive outcome. There has been no engagement, explanation, or justification of its position regarding the conditions precedent from LionGold.

The Company has been communicating with its secured creditors to keep them fully informed of the Company's decision to terminate the agreement and pursue legal action. The Company is also negotiating with its secured creditors for extensions of their respective facilities to enable Bass to both pursue this action and complete alternative asset sale transactions. Bass has commenced discussions on potential asset sales with a variety of parties, including several groups who had undertaken detailed due diligence prior to the LionGold deal being signed and the Company is open to new offers.

Bass Metals management and directors are very concerned how these events are having an adverse impact on creditors and shareholders and are grateful for their support received to date. Bass' Managing Director, Mr Mike Rosenstreich commented that "we would prefer to be talking to geophysical contractors and other mining companies about new projects as part of rebuilding value in Bass, instead of litigation lawyers".

The Board of Bass will keep the market updated on further developments.

Yours sincerely



Mike Rosenstreich
Managing Director