

25 February 2013

Corporate Update

Bass Metals Ltd (ASX:BSM) is pleased to provide this update on its recently announced asset sale transaction with Ivy Resources Pty Ltd (IRPL) and its short and medium term business strategy.

Sale of Hellyer Mill Operations Pty Ltd (HMO)

Settlement of the transaction to sell Bass' wholly owned subsidiary, HMO to IRPL occurred on Saturday 23 February. Bass has now repaid all of its secured creditors and will settle all unsecured creditors in the coming days.

With the sale of HMO, Bass retains exploration and development rights in respect of base metals over the Hellyer Mine Lease through a Sublease Agreement, as well as its other existing tenement holdings. Ivy has confirmed to Bass that it intends for the Hellyer Plant to remain on site. The Hellyer Plant would, therefore, be available for Bass to utilise subject to Ivy's development plans. Bass will continue to be involved in the site maintenance and environmental management activities under a technical services agreement to share and optimise personnel and services, but importantly for Bass, these costs will also now be shared.

Bass is now effectively debt free with approximately \$3 million of working capital to restart exploration programs on its Tasmanian projects and pursue new project opportunities as outlined below.

Bass' Managing Director, Mike Rosenstreich said "I would simply like to reiterate my earlier acknowledgement that this has been a very difficult period for our employees, creditors and shareholders. The Board and I are very grateful for their ongoing support and patience to achieve this positive result. We are already implementing a revised business strategy to rebuild shareholder value, which I will outline further in this release and future announcements".

Business Strategy

This section sets out to provide stakeholders some insight into the overall business priorities and objectives over the next few months to the end of June 2013 as well as presenting initial ideas in terms of a longer term corporate strategy.

Exploration: the Company has resumed exploration activities on its Hellyer-Que licence areas today with preparations for downhole geophysical surveys of 20 diamond drill holes to assist in future targeting.

The exploration strategy will be refocused onto large scale polymetallic ore bodies and no longer be distracted by "near-mine" smaller scale incremental targets. Geophysical, geochemical targeting and drill spacing will be targeting individual resources of at least 1 million tonnes. "There are several highly promising targets in the Hellyer – Que area such as Switchback, D-Zone and Que South and on the Lake Margaret Exploration Licence, near Queenstown, we are eager to re-start work on the Newton copper-silver target", Rosenstreich commented.

Site Care & Maintenance; Bass has placed both the Que River and Hellyer sites on care and maintenance whilst it assesses and seeks to increase the existing polymetallic resources at each site. Expenditure will be required to maintain environmental standards at both sites and to complete several rehabilitation projects including the completion of back filling a portion of the Fossey mine void. Planning of these capital works has commenced and is likely to be largely completed in the June quarter of 2013.

New Project Generation – the Board of Bass Metals has agreed that increased attention needs to be focused on diversification into a new project either through an acquisition, farm-in or even through a corporate transaction. An initial guiding framework has been established with the following key elements:

- Commodity Focus – based on positive market fundamentals and in house experience; gold, copper, gold-copper, tin, lithium (tantalum) and polymetallic base metals.

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- Project Status – likely to be “scaleable” exploration projects i.e. with a large scale target or “conceptual resources” in a well-endowed mineral province. Renewed involvement in an advanced pre-development or production project would be considered but subject to an appropriate funding model.
- Jurisdiction/Sovereign Risk – overall Bass intends to take a “bankers” view on what countries to invest in and very mindful also of the personal safety of its people. The company considers that there are exciting opportunities in Australia as well as developed and emerging countries and will prudently assess these.

Offering Bass shareholders the diversification into a new project has already commenced with Bass currently assessing several project offers. However Bass is also taking a pro-active stance to identify opportunities through a systematic investigation of geological terrains, projects and companies.

LionGold Litigation

The IRPL transaction and recent extensions of Bass’ debt facilities have arisen due to the breach of a binding Share Sale Agreement by LionGold Corp. Ltd of Singapore in early September 2012, which, had it been completed, would have resulted in Bass receiving a total of \$14 million in cash.

Bass has filed a writ for damages and a statement of claim in the WA Supreme Court against LionGold. Currently, LionGold is disputing whether the service by Bass of the writ on its service agent in Australia (being its Australian based solicitors) and executives was valid. This will be heard on 26 March 2013. To date LionGold has not responded specifically to the claims made against it by Bass in the current court action. Whilst Bass recognises that this sale with IRPL reduces the damages it claim from LionGold, the company considers that it still has a significant claim and will explore all opportunities to pursue this action and achieve an appropriate settlement.

Summary

As outlined above, by June 2013 the transitional phase of the HMO divestment, the scaling down process and rehabilitation projects should be complete and well established. In the medium term, a dual strategy of a wide ranging new project generation and a Tasmanian exploration program will also be well established and ideally starting to generate some results. Longer term the Company expects to realise a positive outcome from its litigation against LionGold and more importantly be well advanced on the new project acquisition and generating results from its existing exploration projects in Tasmania.

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Competent Persons Statement

The information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Michael Rosenstreich who is a fulltime employee of Bass Metals and a Member of the Australasian Institute of Mining and Metallurgy. Mr Rosenstreich 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 Rosenstreich consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

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