

19 November 2013

The Manager  
Company Announcements  
Australian Securities Exchange **Via Electronic Lodgement**

Dear Sir/Madam

## SHAREHOLDER UPDATE

### HIGHLIGHTS

- ✓ LionGold Litigation update with major progress quickly achieved.
- ✓ Defence by LionGold to Bass' received on 14 November 2013.
- ✓ Review of Company operations by new Board.
- ✓ Targeting new Growth Options

### 1. Introduction

The new Board of Directors of Bass Metals Limited (**Bass** or the **Company**), as elected by shareholders on 4 October 2013, have vigorously commenced their review of the legal, operational and financial position of the Company.

### 2. LionGold Litigation

By way of background:

- 4 September 2012 – LionGold allegedly “repudiates” HMO Sale Agreement (A\$13M cash plus 58M Bass shares @ A\$0.01 each).
- 16 October 2012 - Bass files statement of claim in Supreme Court of WA. Damages claimed by Bass “*potentially up to A\$20M*”.
- 18 June 2013 - Bass advises market that it is seeking “*A\$5M to A\$6M*” in damages.
- 4 October 2013 - Bass Board Spill approved by Bass shareholders.
- As at 3 October 2013:
  - LionGold had yet to file Notice of Appearance as Supreme Court of WA dispute as to valid service by Bass on LionGold of statement of claim (a delay of approximately 12 months); and
  - Bass had expended A\$179,444 on legal fees.

Since 4 October 2013 the new Bass Board has:

- Effected service of the statement of claim on LionGold;
- Required LionGold to file a Notice of Appearance;
- Received a defence to Bass’s statement of Claim from LionGold which has now been filed in the Western Australian Supreme Court; and

- Received Senior Council's advice on the potential quantum of the claimable damages. Senior Counsel has advised Bass that the amount of damages that may potentially be received by Bass from this litigation is likely to be less than has previously been advised to the market and:
  - Based on Senior Counsel's advice, the New Board believes that the claim, if fully successful, could achieve recovery of circa A\$4.5M; and
  - Consequently, several of the previous market releases by the Bass Board plus the notations in the Bass 2013 Annual Report are now being reviewed following this advice.

As one of their last actions, the previous Bass Directors (**Removed Directors**) pursued a litigation funding arrangement with a litigation funder. This was contrary to the "caretaker" requests made in writing over several months to the Removed Directors by the new Bass Directors. The current Bass Board is now reviewing this arrangement as to whether a successful claim under this arrangement would result in a substantial loss of value to Bass shareholders.

Bass under its new Board is quickly and efficiently moving forward with the litigation against LionGold. The defence received from LionGold to the Bass claim is currently being reviewed. The Board will keep shareholders informed of the progress of the LionGold litigation and other matters that impact shareholder value.

### 3. Value Retention

The Removed Directors expended over A\$120,000 on legal fees, proxy solicitation and related costs in relation to the resolutions to remove them from the Board. The new Board has now received independent legal advice that Bass can rely upon the NSW Court of Appeal decision in *Advance Bank Australia Ltd and Others v Fai Insurances Ltd and Another* (1987) 9 NSWLR 464, that held that the directors were in breach of their duty to act for a proper purpose and fiduciary duty to act in good faith and in the best interest of the Company by using the company's funds for the purpose of securing and promoting the re-election of the retiring directors. Your new Board is investigating this matter further.

### 4. Growth Options

The Board are considering a number of growth options for the Company with current focus on the following activities:

#### Fossey Underground Mine

Fossey U/G may contain short term value for Bass. Remnant ore was left in the underground workings at the time of closure. Evaluating the net benefit to shareholders by extracting remnant ore is being investigated further.

#### Exploration

Leveraging from the recent geological review, collaboratively undertaken by Bass employees and its geological consultants, 11 target areas within the Company's current tenement portfolio have been identified as being highly prospective for base metals. Bass is currently prioritising these target areas and preparing an achievable 'program of works' to advance exploration activity.

## Turkey

The new Board consider the Company's initiative to seek new projects in Turkey as not being consistent with the Company's strengths. The initiative, undertaken by the Removed Directors, was to be delivered over a 3 – 5 year period. The new Board's views the funding commitments required to progress exploration and establish of an in-country Turkey office as being outside the current capability of the Company. This view is also premised upon the new technical review of the assets being considered in Turkey as being quite small in size and with any future success was conditional upon many factors outside the control of the Company occurring. The Board is investigating further and no final decision has yet been made.

## New Opportunities

The Company is currently in discussions with several parties holding Tasmanian and other Australian located assets that may be of value to Bass shareholders. If these discussions come to fruition, the Board will keep shareholders informed at all times and seek approval if and when required.

## **5. Operations**

The primary operational activity on site in Tasmania is the remediation and rehabilitation of the settlement dam at Que River. During the past month, Bass has progressed rehabilitation activities including the re-contouring of spoil dumps along with the placement and spreading of vegetative matter that will promote regrowth and support seed propagation. This environmental activity is an essential part of meeting Bass' Que River Closure Plan commitments.

The Board has also reviewed the previous Board's annual operating budget and has dramatically cut the allocated funds for travel and conferences and is redirecting these funds to more operational activities.

## **6. Annual General Meeting**

The Board would like to remind shareholders that the Bass Annual General Meeting is to be held at 11:00am on the 27<sup>th</sup> November at Level 7, 15 Castlereagh St. Sydney.

### **About Bass**

Bass Metals Ltd is an ASX listed gold and base metal exploration company. Since listing in October 2005 the Company has focused on exploring and mining polymetallic (copper, lead, zinc, silver and gold) deposits in the highly mineralised Mt Read VMS terrain in NW Tasmania, Australia. The Company is reassessing its Tasmanian exploration strategy and also reviewing other resource opportunities.

Refer to: <http://www.bassmetals.com.au/>

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### **Contact**

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