

29 April 2016

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

Dear Sir/Madam

### **March 2016 Quarterly Report of Activities**

Please find following the March 2016 Quarterly Report of Activities and Cash flow for Bass Metals Limited ("Bass" or the "Company").

#### ***Quarterly highlights: -***

- **Bass entered into an agreement to acquire a 100% interest in the operating Loharano graphite mine via series of staged payments;**
- **The announcement made on 4 April 2016 replaces the previously announced transaction to deliver control of the asset and enhanced value to shareholders;**
- **Patersons Securities and Bizzell Capital Partners engaged to assist with funding the transaction and ongoing operations;**
- **new strategic direction supported by shareholders;**
- **Bass continues to explore options to divest its Tasmanian assets.**

#### **Acquisition of Loharano Graphite Mine**

During the quarter ended, the board and management of the Company successfully negotiated terms with AIM listed Stratmin Global Resources Plc (**Stratmin, AIM:STG**), to acquire Stratmins' Madagascan (Loharano) graphite operations which currently produce high quality graphite flake concentrate. As announced previously, the acquisition will occur via an investment in the Stratmin subsidiary company Graphmada Mauritius ("Graphmada"), which is the 100% owner of the Madagascan operating company, Graphmada S.A.R.L.

Further detail about the Company's strategic investment in the Graphite asset, its location and technical merits can be found in our announcement of 2 September 2015.

## Replacement Terms to acquire Graphmada

The conditions of the replacement Terms Sheet provide that Bass can secure 100% of issued shares in Graphmada, by completing the new tranche 1 conditions as follows:

1. Payment of A\$1,500,000;
2. Issue to Stratmin \$750,000 worth of Bass shares at 1 cent; and
3. Grant to Stratmin a net smelter royalty (“NSR”) of 2.5% with the NSR royalty payments not to exceed A\$5,000,000.

Settlement on tranche 1 is conditional upon:

1. The successful completion of due diligence at Bass’ sole discretion;
2. Both parties receiving the necessary approvals, including shareholder approval;
3. Funding; and
4. The execution of a share sale agreement.

In addition to the above, Bass is required to issue two further payments (“tranches 2 and 3”) upon the achievement of substantial production milestones as follows:

1. A further A\$3,000,000 in Bass shares upon achieving production output of 1,250 tonne of graphite concentrate over three consecutive months on or before 31 December 2017 (“tranche 2”); and
2. A further A\$5,000,000 worth of Bass shares upon achieving production output of 2,500 tonne of graphite concentrate over three consecutive months on or before 31 December 2018 (“tranche 3”).

The shares to be issued in tranches 2 and 3 are subject to shareholder approval (if required) and shall be issued to Stratmin based on Bass’ VWAP in the 20 traded days immediately prior to the achievement of the above production output values.

## Transaction Update

Subsequent to the quarter end, the Company’s board and management immediately commenced an extensive due diligence review with senior executives of Stratmin visiting Australia.

The Company’s board and management have also recently held extensive and productive discussions with executives of Paterson’s Securities and Bizzell Capital.

Details about the progress of the due diligence program and independent research reports about Graphmada will be made to the market as soon as practicable.

## About Graphmada Mauritius

Graphmada operates the Loharano natural flake graphite mine situated in the central east of Madagascar, Africa, approximately 100 kilometres from Toamasina, the primary shipping port servicing Madagascar.

Access to the mine is along the main highway to the capital city with a short two-kilometre haul road from the highway to the mine and processing plant.



### *Location of Loharano Mining Operations*

The Graphmada owned projects offer the Company control of an operating mine that is now generating cash flow and has a sustainable offtake agreement in place with a US based partner.

Further technical detail about the project can be found on Stratmin's website [www.stratminglobal.com](http://www.stratminglobal.com)

### **Settlement with LionGold Corp**

In November 2015, the Company notified the market that it had secured favourable settlement terms in relation to its previous dispute with LionGold.

The terms of the settlement require LionGold to pay a minimum of A\$1,150,000 in cash and a further A\$1,350,000 in cash and shares all before 30 June 2016.

The Company is pleased to report that to date they have received A\$600,000 in cash and the Company's management is currently facilitating the receipt of the remaining settlement funds due over the next few months.

As recently announced and following the announcement of the Company's settlement with LionGold, the Company received a claim from a litigation funder for a portion of the settlement sums. The Company disputes the claim and intends to defend this.

For personal use only

## Divestment of Que River Assets

The Company continues to liaise with interested parties in relation to the potential divestment of its Tasmanian assets.

A range of inquiries have recently been received by the Company in relation to these assets and the Board will assess the merits of any proposals they may receive and inform the market and their stakeholders as and when required.

## Environmental activities, Tasmania

The Company continued to comply with its Care and Maintenance plan for the Que River and other sites during the quarter.

Environmental management at the Que River site focussed on the rehabilitation of the surface areas of the site, with significant progress being achieved in clean up, covering and re-seeding of previously disturbed areas.

Daily field testing and environmental laboratory testing continued throughout the period as per the site's Care and Maintenance Plan.

## Summary

The last quarter has been an exciting period in the refocus of the Company's strategic direction and the Board of Bass are pleased with the Company's progress.

We look forward to updating the market with further details about our short term achievements in the near future

Yours faithfully

Rick Anthon  
Chairman

## Contacts and information:

Stratmin Global Resources Plc - [www.stratminglobal.com](http://www.stratminglobal.com)  
Bass Metals Ltd – [www.bassmetals.com.au](http://www.bassmetals.com.au)

Rick Anthon Chairman: Bass Metals Ltd	<a href="mailto:david@bassmetals.com.au">david@bassmetals.com.au</a>
Barbara Pesel Media & Investor Relations	03 9036 6900 <a href="mailto:barbara.pesel@peselandcarr.com.au">barbara.pesel@peselandcarr.com.au</a>
David Round Company Secretary	0411 160 445 <a href="mailto:david@bassmetals.com.au">david@bassmetals.com.au</a>

For personal use only

The Company's interests in mining tenement as at 31 March 2016 were as follows:

Tenement	Interest
EL48/2003 Mt Block <sup>4</sup>	100%
EL28/2009 Lake Margaret <sup>1</sup>	75%
EL20/1010 Sock Creek <sup>1</sup>	75%
CML 103M/1987 Hellyer Mine Lease <sup>2&amp;4</sup>	100%
CML 68M/1984 Que River Mine Lease <sup>4</sup>	100%
ML 10W/1980 Access Easement to QRML	100%
RL11/1997 Mt Charter Retention <sup>3&amp;4 / 5</sup>	n/a

Notes:

1. Subject to joint venture with Clancy Exploration Limited.
2. CML 103M/1987 is owned by HMO a 100% subsidiary of Ivy Resources Ltd. Bass has 100% interest in all of the existing base metal resources and base metal exploration rights through a Sublease Agreement.
3. RL11/1997 is owned by Bass, but HMO has a 100% interest in the existing gold resource and gold exploration rights through a Sublease Agreement. Bass retains all base metal exploration rights.
4. Intec Limited holds a 2.5% NSR Royalty over all Product from Bass' interests in RL11/1997, EL48/2003, CML68M/1984 and CML103M/1987.
5. The Company relinquished its interest in RL11/1997 in early January 2016 and is currently managing a process to reapply for tenure to this project

For personal use only