SEPTEMBER 2016 QUARTERLY REPORT OF ACTIVITIES

Highlights

- Bass Metals transitions to become the only ASX-listed graphite producer.
- Bass Metals executes its integration plan for Graphmada and begins optimising operations, with immediate results.
- Successful completion of a A$7 million capital raising.
- Director appointment.
- Bass initiates material community investment via the Graphmada Care program.

Graphmada Graphite Mine

The Graphmada large flake graphite mine is Bass Metals’ flagship project located in eastern Madagascar. With its purchase Bass has transitioned to become the only ASX listed producer of graphite concentrates. The Graphmada mine has 40 year mining permits in place, containing four premium quality, large flake, graphite deposits. Graphmada has significant potential for low capital intensity expansion and ongoing lowest quartile cost production. Bass is investing capital into Graphmada to optimise and expand production and improve the quality of final graphite concentrates. The company has also made the strategic decision to, in parallel with the optimisation at Graphmada, actively explore and develop deposits in the immediate proximity to the project, with a view to materially expanding existing resource inventories.

Loharano mining bench with highly reflective graphite mineralisation near to surface.
Acquisition, Integration and Optimisation of Graphmada

Bass Metals Limited (“Bass” or the “Company”) is pleased to report that it successfully completed the 100% acquisition of the Graphmada Graphite Mine from Stratmin Global Resources PLC on the 22nd of August 2016. Bass subsequently executed its integration plan and began optimising operations, with immediate results.

The Company’s integration activities included transfer of subsidiary directorships and other corporate affairs, along with introductory meetings with government officials and extensive consultation with the Graphmada workforce. As part of the Company’s policy of setting high standards for safe and efficient production, the Company implemented a two week production shutdown to complete repairs and maintenance, install safety and efficiency measures and re-train the workforce in the Company’s expectations of a safe working culture. These activities continue as part of the ongoing continuous improvement expectations on site.

The Company also commenced its optimisation of operations, implementing during the quarter several low capital improvements, with outstanding results achieved with ore supplied from Loharano.

These significant improvements were realised through implementing practical innovations to the process at the 6000 tonnes per annum nameplate capacity plant. While the Company cannot divulge the commercially sensitive solutions it has implemented, subsequent to the end of the quarter, the Company reported a lift in recovery from an average of 47% to 59% for Loharano feedstock. The improved recovery has proven to be stable, without any loss in the average final product grade.

In addition to this improvement in recovery, an increase in grade after the primary re-grind mill was also achieved. The below graph demonstrates that since Bass took operational control the grade after the primary re-grind mill has improved from an average of 61% Fixed Carbon (FC), to an average of 69% FC, an increase of 8% FC.
The Company also wishes to report that the Drying & Packaging testwork program has been completed subsequent to quarter end, with the results providing a low capital intensity solution that will not only meet the needs of the current optimisation program, but also caters to throughput for the Company’s ultimate production aspirations of 20,000-24,000 tonnes per annum.

Production update and guidance
From the 22nd of August, the date of operational takeover by Bass, to the end of the quarter, 155 tonnes of wet graphite was produced from 14 days of production. The remainder of the available production time was used to execute the Company’s integration plan, which included the before mentioned two week period of non-production to implement safety improvements and workforce training programs. In addition, the plant incurred downtime to install the recovery and grade improvement initiatives resulting in the previously mentioned productivity gains.

At the end of the quarter, Graphmada had 172 dry tonnes in stock.

Production in Q2 FY2017 is forecast to be between 400 tonnes and 500 tonnes, due to the expected loss of available production time as refurbishment activities continue in order to ramp up production to a cashflow positive run rate by the end of Q4 FY2017.

Successful completion of Capital Raising
During the quarter, Bizzell Capital Partners (BCP) and Patersons Securities (Patersons), retained by Bass to assist with the Graphmada transaction, assisted the Company to raise the funds needed to improve and expand production at Graphmada. A Rights Issue and additional placement raised a total of $7,020,388 (before costs of the raising).

Graphmada Care
The Company is pleased to report that it has also commenced its community engagement program: Graphmada Care. The program is based on the commitment by the Company to develop its business through strong local partnerships built on five pillars: education, health, production, transparency and empowerment.

As such, the Company has complete its first water well for the Mahatsara community and plans to install two more water wells at neighbouring communities before the end of the year, amongst other initiatives.
Construction and testing of the Mahatsara water well by Corporate Affairs Manager Mamison Randriananatenaina.

**Director Appointment**

Non-Executive Director; Mr David Premraj resigned from the Company, effective the 2nd of September 2016. The team at Bass Metals wishes to thank Mr Premraj for his contribution to the strategic management of the Company, especially Mr Premraj’s role in the recent acquisition of Graphmada.

Accepting an appointment, as Non Executive Director, in replacement of Mr Premraj, was Mr Peter Wright, currently Executive Director of Bizzell Capital Partners (BCP), a Brisbane based corporate advisory and funds management firm.

As part of his role at BCP, Mr Wright has been the corporate advisor over the last 4 years with Altura Mining Ltd advising on capital markets, investor relations, acquisitions and divestments and industrial metals end markets. Most recently Mr Wright has been advising Bass as part of BCP’s role as Joint Lead Manager and Underwriter to Bass’s recent capital raising.

**Settlement with LionGold Corp update**

In November 2015, the Company notified the market that it had secured favourable settlement terms in relation to its previous dispute with LionGold Corp Ltd (“LionGold”).
The terms of the settlement required LionGold to pay a minimum of A$1.15m in cash and a further A$1.35m in cash and / or shares all before 30 June 2016. To the quarter ended 31 March 2016, the Company had received $600,000 in cash from LionGold.

During the previous quarter ending 30 June 2016, the Company secured the transfer, from LionGold, of 25,862,069 shares in the Australian Listed Company, A1 Consolidated Gold Ltd (“A1”). The Company sold its complete holding in A1 prior to the end of the 30 September 2016 quarter.

In the 30 September 2016 quarter, the Company agreed to the sale of the remaining funds owed by LionGold to a Singaporean based entity. This agreement was executed on 26 September 2016 and the full sale proceeds of A$1,000,000 are expected to be paid before 2016 year end.

Management of Tasmanian Assets

The Company continues to liaise with interested parties in relation to the potential divestment or joint venture of some of its Tasmanian assets. The Board will assess the merits of any proposals they may receive and inform the market and their stakeholders as and when required.

The Company also continues to comply with its Care and Maintenance Plan for its Tasmanian assets. Environmental management at the Que River site is 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 a period of intense activity, integrating the Graphmada asset and beginning its optimisation. The team at Bass are pleased with the Company’s progress and remain on track to deliver a cash flow positive position in 2017.

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

Yours faithfully

Tim McManus
Chief Executive Officer
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QUARTERLY ACTIVITIES REPORT SEPTEMBER 2016

TENEMENT & PERMIT HOLDING AT QUARTER END

The Company’s interests in mining and exploration tenements and permits at the end of the quarter were as follows:

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<thead>
<tr>
<th>Country</th>
<th>Region</th>
<th>Tenement / Permits</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Tasmania</td>
<td>EL48/2003 Mt Block²</td>
<td>100%</td>
</tr>
<tr>
<td>Australia</td>
<td>Tasmania</td>
<td>CML 103M/1987 Hellyer Mine Lease¹²</td>
<td>100%</td>
</tr>
<tr>
<td>Australia</td>
<td>Tasmania</td>
<td>CML 68M/1984 Que River Mine Lease²</td>
<td>100%</td>
</tr>
<tr>
<td>Australia</td>
<td>Tasmania</td>
<td>ML 10W/1980 Access Easement to QRML</td>
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<tr>
<td>Madagascar</td>
<td>Antsinanana</td>
<td>PE 25600 Loharano (East)</td>
<td>100%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>Antsinanana</td>
<td>PE 26670 Mahefedok</td>
<td>100%</td>
</tr>
<tr>
<td>Madagascar</td>
<td>Antsinanana</td>
<td>PE 24730 Antsirabe (Andapa)</td>
<td>100%</td>
</tr>
</tbody>
</table>

Notes:

1. 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.

OUR VISION

To be a world leading graphite producer that can sustainably trade to market demand.

ABOUT THE GRAPHMADA LARGE FLAKE GRAPHITE MINE

Madagascar has been a recognised producer and exporter of graphite since 1907 and sets the world standard for product quality and flake size. The Graphmada Graphite Mine is situated in eastern Madagascar, approximately 100 km by sealed highway from the export port of Tamatave.

The Graphmada Mine hosts four known deposits. Recent mining activities have been focused on the Loharano deposit, while the Mahedefok deposit has also undergone trial mining as part of life-of-mine development studies. The Mahela and Ambatofafana deposits are still to be explored to their full potential.
The graphite at Graphmada is hosted in both weathered regolith and underlying graphitic gneiss, with the grade of graphitic carbon increasing with depth. All mining to date has been very shallow and low cost, with the mining horizon from 1.5m below surface to a depth of 6-8m. However, the graphite bearing regolith is known to go to depths of more than 30 metres, to the underlying hard-rock mineralisation. Mineralisation at Mahefedok alone is open along a strike of approximately 1.8km and to depth.

The 140-strong workforce utilises modern facilities and infrastructure, with an on-site doctor, pharmacy, housing, offices, communications and an advanced analytical laboratory in place.

Also installed on site is a 6,000 product tonne per annum nameplate capacity processing plant, with a drying and packaging facility, which the Company plans to improve and refurbish to reach nameplate capacity.

Graphmada sold approximately 1,500 product tonnes in the 2015 calendar year, with a proportion of the product being large flake graphite at 94% or greater purity. The Graphmada brand is synonymous with quality large flake graphite concentrate and is well established in traditional markets, as well as potential to push into new technology markets.

Bass Metals will add value by leveraging Graphmada’s reputation for quality, improving operational efficiencies, and expanding graphite production through a low-capital and timely expansion into a high growth market.
DISCLAIMER & CAUTIONARY STATEMENTS

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Competent Person Statement
The information in this report that relates to Mineral Resources is based on information compiled by Tim McManus, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of the Company. Tim McManus has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Tim McManus consents to the inclusion of the information in this report in the form and context in which it appears.

Subsequent Public Reporting
The information for the JORC Mineral Resource Summary is extracted from the ASX Announcement “Strategic investment in producing graphite asset” released 2 September 2015, which is available to view on www.asx.com.au. Bass Metals Ltd. confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.