

ASX Announcement 9 July 2019

Bass signs Agency Agreement for supply of Graphite Concentrates into the rapidly growing and key Indian market

HIGHLIGHTS

- The Agency Agreement provides Bass with a unique competitive advantage to expand its Graphite Concentrates into the large Indian market.
- India is a rapidly growing and modernising economy with modest domestic graphite production leaving it as a key emerging market for Bass.
- Over the last year, Bass has sold over 600mt into the Indian market and is experiencing growing and strong demand for all of its concentrate specifications in India.
- The Company's strategy is to substantially increase supply to India next year, in parallel with our expanding production, with the Bass sales team to meet existing and prospective buyers in the short term.
- Supplies to India could exceed 3,000mt in 2020 with a significant portion of Company's scheduled production increases planned for export to India.
- The Bass appointed Agent in India has an extensive Industrial history in country and is well recognised within this market.
- The appointed Agent is currently exploring opportunities for Bass to supply Graphite Concentrate in to the Spherical and other upstream markets.
- Bass are delighted with the overall pricing achieved in India with many products selling at above budgeted levels.
- India has had a long-term Graphite supply arrangements with Madagascar with growth continuing.

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Bass Metals Limited (ASX: "BSM") (the "Company" or "Bass") is pleased to announce that the Company has now signed an exclusive agency agreement with well-known Industrial Minerals group, Polo Queen Minchems (A Division of Polo Queen Industrial and Fintech Limited) ("Polo Queen") of Mumbai, India.

The Agency Agreement provides Polo Queen with an exclusive in country opportunity to market and sell Bass concentrates from its wholly owned operations at Graphmada, Madagascar. The Agreement still allows Bass the ability to sell to parties outside of India for supply into this market.

Bass has worked extensively with Polo Queen over the past year and has developed a strong supply chain for Bass' concentrates into this market. Bass recently concluded a supply arrangement of a further 240mt to be made over the coming months to a new buyer, a reflection of Bass the broadening of Bass volumes and customer base in India.

About the Indian Market

India imported US\$507.6 billion worth of goods from around the globe in 2018, and up by 14.3% from 2017 to 2018 ⁽¹⁾.

The economy continues to expand at a rapid rate fueled by a growing population base of over 1,200 million people and domestic industrial growth and technological advances.

Over the last 2 years, India has emerged as the world's second largest crude steel producer, overtaking Japan, with the percentage share of electric furnaces in total steel production limited to 20-22% ⁽²⁾ with Graphite being a key constituent of the steel making process.

India continues to be a material importer of coal from Australia and has well developed and extensive supply arrangement with Australian Companies.

The Indian Graphite Market

India has a long history of importing graphite from Madagascar with substantial and cost-effective supply chain arrangements in place.

Trade between India and Madagascar is significant and there are well defined and efficient shipping channels between the two countries.

In 2016-17, imports of natural graphite into India was 37,044 tonnes. With most Graphite imported mainly from China (85%), Madagascar (7%) and Brazil (6%)(3).

China's export of Graphite to India reduced to only 19,391 mt in 2018 and to 7,232mt for the first 5 months of the 2019 year and is forecast to be around 17,500 for full 2019 year (5).

Imports to India from Madagascar and other parts of the world, actually grew in 2018 and this leaves Bass well positioned to substantially meet growing demand and the supply gap over the next year.

World Graphite market and supply changes

China imported about 60,300 tonnes of flake graphite in 2018, up from only 5,500t in 2017, with parts of Africa accounting for some 93% of all Chinese imports last year (4)

Imports of Graphite into China from around the world dramatically increased again in 2019 to 83,795 mt and is projected to continue to grow in 2020 and beyond (5).

Changes to environmental laws and structural changes within China has had a dramatic effect on local production with less graphite being exported as imports continue to grow. For the first five (5) months of 2019, China imported substantially more graphite than was exported.

This has had a downstream effect on the supply of graphite to India and other parts of the world, with the Indian market looking to Madagascar in particular to increase and expand supply channels.

With Bass products becoming increasingly recognised in India, Bass is well placed to capitalise on this changed dynamic.

Opportunity for Bass

The demand for Graphite in India continues to grow and we believe that this market will continue to expand in the short to medium term representing an enormous opportunity for Bass Metals.



Bass has developed a strong supply chain network in India, and we believe this provides us with a unique and rare opportunity to provide our premium product to fill demand.

With China importing more Graphite from other parts of the world, including Africa, this has opened up the Indian market and manufacturers have recently turned their attention to Madagascar as an important supplier of graphite to this market.

MR TIM MCMANUS (CEO)

“We are delighted to have formalised this opportunity for Bass.

The Company’s senior management team and I see the growth in the Indian market as a significant opportunity for Bass. The demand-supply and logistical advantages Madagascar has, with its high quality concentrates, make this a very cost-effective business case.

For some time now we have been exporting into India, but with shifts in global supply and demand, we do believe this rapidly growing economy provides us with yet another market to sell our world class graphite concentrate to.

To date, pricing has been very solid and we are excited about the prospects of an extremely strong and increasing supply in 2020 and beyond as our high quality product becomes increasingly accepted and broadly used in India.

Whilst we will continue to supply our premium graphite concentrates to buyers in the USA and Germany, it is pleasing to have yet another supply arrangement in place. This is a great strategic outcome to have yet another market for our product to take our short-term production and supply increases”.

For more information, please contact:

Tim McManus

Chief Executive Officer
Phone: (07) 3203 5894
Email: admin@bassmetals.com.au

David Round

Chief Financial Office/ Head of Sales
Phone: (07) 3203 5894
Email: admin@bassmetals.com.au

www.bassmetals.com.au

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