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ASX Announcement 31 July 2019

## QUARTERLY ACTIVITIES REPORT

### June 2019

Bass Metals Limited (ASX: "BSM") ("Bass" or the "Company") is pleased to provide this quarterly report as it continues its progression towards establishing large-scale mining and processing operations at its wholly owned Graphmada Large Flake Graphite Mine in Madagascar.

### HIGHLIGHTS

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- Record 33,184 tonnes processed and 1,005 wet tonnes produced at premium benchmark quality of >94% Fixed Carbon (FC), an 80% increase on the previous quarter's wet tonne production.
- Record 1,096 tonnes dried, an 85% increase on the previous quarter's dry tonne production.
- Record 783 tonnes sold, a 94% increase in sales by revenue over the previous quarter.
- Record revenue received of \$A638k for the June quarter, maintaining an approximate doubling of revenue quarter on quarter since Bass re-commissioned Graphmada.
- Significant drilling undertaken as Bass seeks to materially expand its resources at Graphmada.
- Execution of an Sales and Agency Agreement for supply of graphite concentrates into the rapidly growing and key Indian market.
- Prudent \$2.7m cash and receivables retained as at 30 June 2019.

## HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY

There was no Lost Time Injuries (LTI) during the quarter, with no major environmental incidents.

The Company continues to have a strong focus on community engagement activities under the Graphmada Care Program.

## OPERATIONS

### Production Results

Bass continues to make strong progress towards achieving its initial objectives at Graphmada.

The Company is materially growing production and sales at a declining capital intensity and, more importantly, lower operating costs. This leaves Bass well placed to capitalise on established infrastructure, invaluable intellectual property and established sales channels and realise the full value of Graphmada for shareholders.

Bass made considerable progress over the quarter towards these goals, passing several key production milestones.

The mining fleet at Graphmada achieved record utilization during the quarter resulting in a record 138,937 tonnes mined (ore and waste).

The increase in tonnes mined lead to a record 33,184 tonnes processed and subsequently 1,005 wet tonnes produced at an average >94% FC, with some production periods over 95% and 96% FC achieved. The improvement in wet tonne production equates to an 80% increase on the previous quarter's production.

The 94% FC threshold, along with flake size greater than 180 microns (large flake), is recognized as the industry benchmark for premium graphite concentrates. Concentrates meeting these parameters receive significantly

higher prices than graphite concentrates of less than 180 microns in flake size (fine flake).

For the June quarter, an average of 32% of production from Graphmada was greater than 180 microns, with periods over 45% achieved. The Company continues to improve operations aiming to have more than 45% of total production greater than 180 microns, while maintaining greater than 94% FC average.

On the back of record production for mining and processing, drying operations also achieved a record number of tonnes dried during the June quarter. A total dryer output of 1,096 tonnes was produced, an 85% increase on the previous quarter, with record results for plant efficiency, feed rate, and drying rate achieved.

### Production Metrics

<b>Qtr.</b>	<b>Head Grade</b>	<b>Recovery</b>	<b>Wet Tonnes Produced</b>	<b>Carbon Grade</b>
FY Q1	4.7 %	83 %	1,230	94 %
FY Q2	5.1 %	70 %	732	91 %
FY Q3	3.4 %	70 %	560	94 %
FY Q4	4.0 %	67 %	1,005	94 %
FY 2019	4.3 %	73%	4,031	94 %

### Production Outlook

The Company anticipates an increase in wet tonnes produced in the current quarter.

## Sales Results

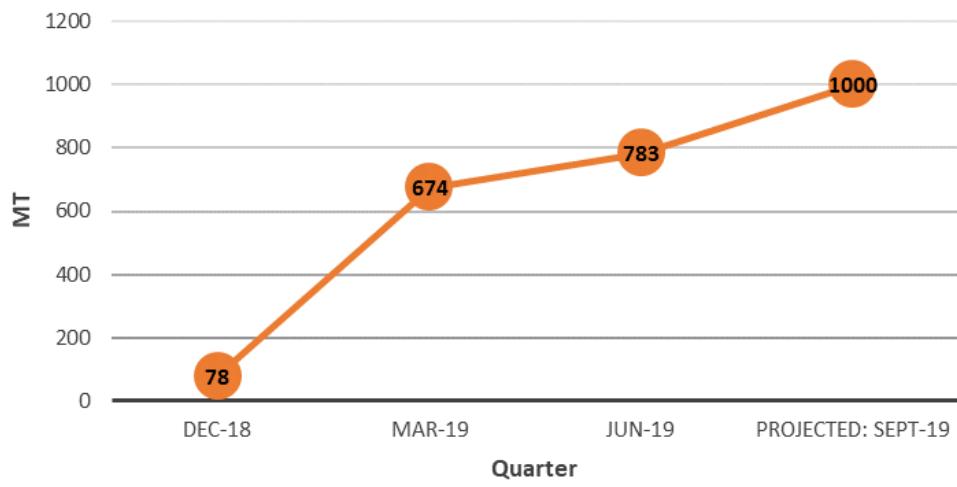
Post recommissioning, Bass has steadily grown sales volumes and more importantly revenue as its products become further established in the market. Bass is pleased to report that the last quarter delivered a third consecutive quarter of approximately 100% growth in sales revenue.

Bass has made a significant effort to, firstly, establish strong sales channels and, secondly, to broaden these channels to obtain maximum pricing and a diversified customer base.

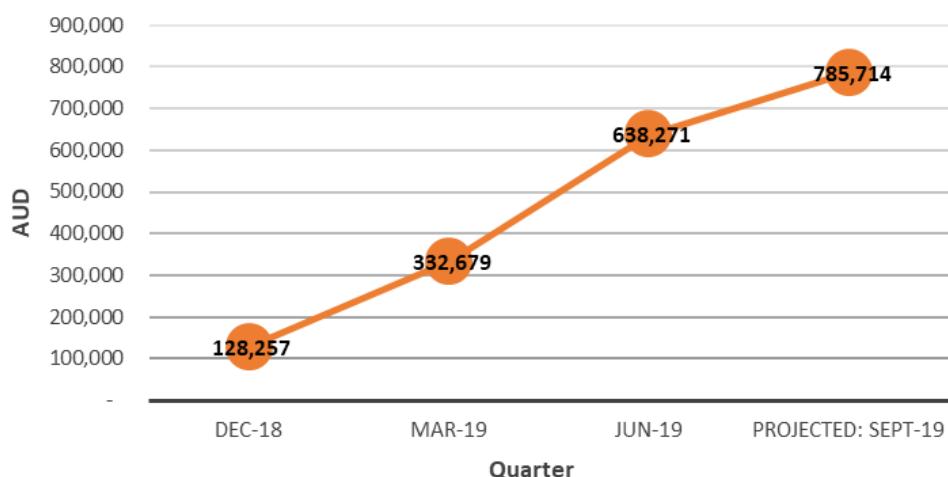
This continued progress has seen the Company deliver record tonnes sold in the June quarter of 783 tonnes. This significant volume in sales resulted in record revenue received of ~\$A638k, a 94% increase in sales by revenue over the previous quarter, maintaining an approximate doubling of revenue quarter on quarter since Bass re-commissioned Graphmada.

As at June 30 2019, the Company had forward orders for 389 tonnes for the September 2019 quarter.

## Sales/Shippments



## Sales Receipts



With secure sales channels established into the USA, India, and Europe, Bass is making considerable progress in establishing additional sales highlighted by the recent announcement of a Sales and Agency Agreement for the key, high growth market of India. This agreement provides Polo Queen with an exclusive in country opportunity to market and sell Bass' products, a reflection of our broadening customer base in India.

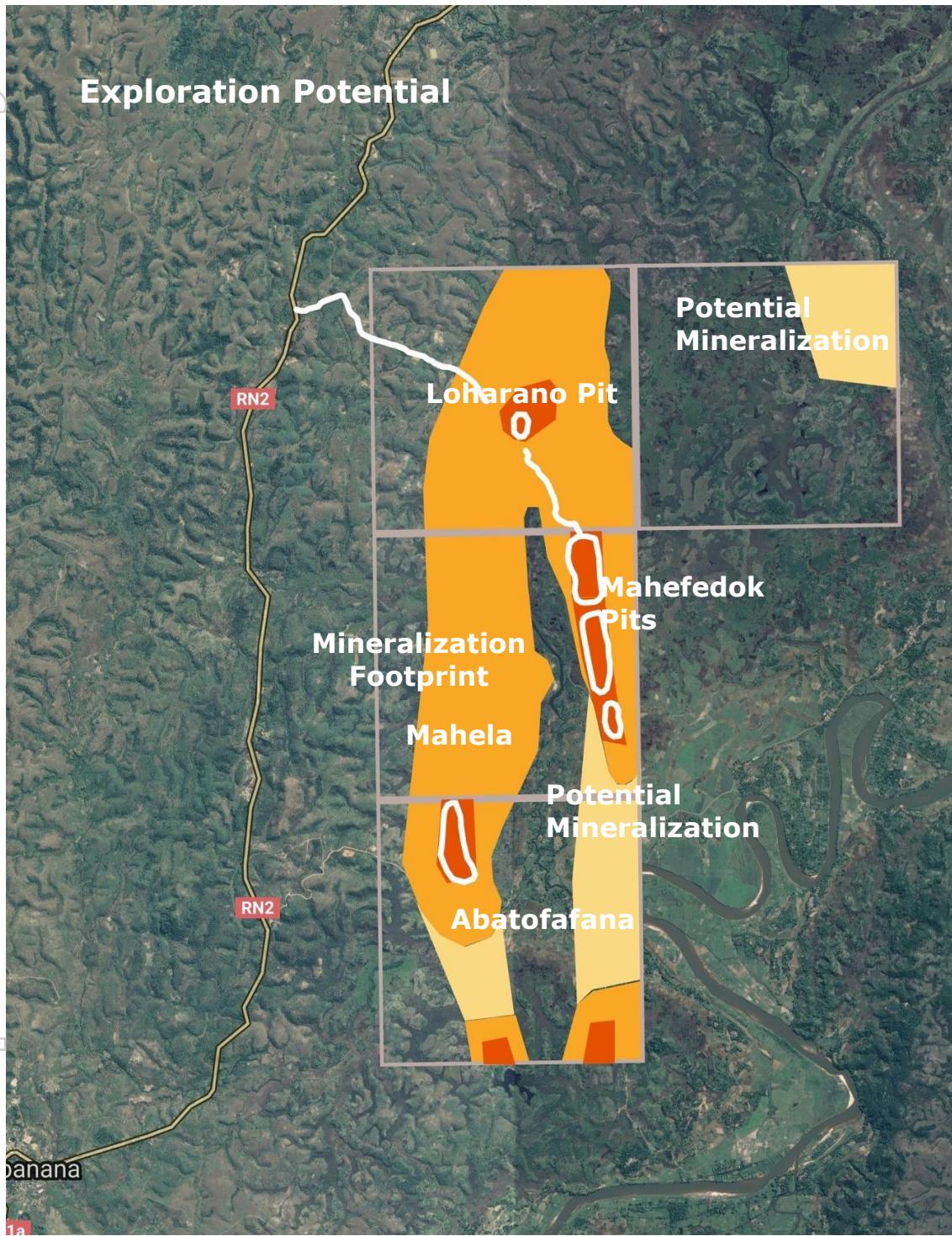
### Sales Outlook

The Company believes that sales of concentrate are likely to exceed 1,000 tonnes for the September quarter, representing growth of ~30% on sales over the June quarter.

### EXPLORATION

Expanding the resource base is a key objective of the Company. Over the coming 12 months Bass aims to deliver a material increase in Mineral Resources in direct proximity to the existing infrastructure and processing capacity of the Graphmada Mine.

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During the quarter Bass released a brownfields Exploration Target estimate of 86-146 million tonnes in accordance with the JORC Code (2012)<sup>1</sup>. An Exploration Target is a statement or estimate of the exploration potential of a mineral deposit in a defined geological setting where the statement or estimate, quoted as a range of tonnes and a range of grade, relates to mineralization for which there has been insufficient exploration to estimate a Mineral Resource. The potential quantity and grade of the Exploration Target is conceptual in nature, there has been insufficient exploration to estimate an additional Mineral Resource and it is uncertain if further exploration will result in the estimation of an additional Mineral Resource.

Bass aims to continue to materially and aggressively explore its Permits within the region to realise Graphmada's true potential as a stand-alone large flake graphite producer and to underpin the future development of large-scale mining and processing operations.

Bass has completed an infill drilling program at Mahefedok with the intention of upgrading the existing Mineral Resource. Samples from this program are currently being processed at Bass' specialist graphite laboratory.

Bass has now also completed an initial diamond drilling program at Mahela and is seeking to estimate a maiden Mineral Resource for the prospect in FYQ2.

All diamond drill holes at Mahela completed to date have intersected graphite mineralization with an average graphite intersection logged of 37.5m. This average is significantly thicker than the existing Mahefedok and Loharano Deposit averages and is highly encouraging. The mineralization at Mahela post the drilling program remains open in all directions, with plans being developed to continue work on the prospect.

Mahela diamond core showing extensive graphite mineralization.

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<sup>1</sup> ASX Announcement 'Significant Exploration Program to commence at Graphmada' 3/6/19.

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wing these works, an augering program will commence at the Ambatofafana Prospects to delineate mineralization in preparation for future diamond drilling. The Company is expecting to follow up this program of works with a diamond drilling program early in 2020, following additional Mahela drilling.

## PROJECTS

The Company is nearing completion of an internal expansion and downstream development study during the quarter. The study, incorporating the significant intellectual property obtained from the expansion of current operations, produced positive outcomes to underpin Bass' development strategy.

The Company looks forward to providing the results when the current exploration and resource estimation works are completed, a key constituent of finalizing the study.

## CORPORATE

Bass, as previously guided has made significant capital investment at Graphmada over the first two quarters of this year, delivering material improvements across all key metrics.

Year to date key capital investments include:

- Exploration drilling and evaluation costs of AUD688k
- Additional Mining Fleet and Equipment purchases as part of ongoing expansion of AUD568k

Year to date sales revenue:

- AUD986k from customers in Europe, USA and India.

The Company is expecting declining capital investment and production costs in the second half of the calander year, moving towards cash flow positive operations at Graphmada.

As per ASX announcement 28 June 2019, Bass completed a capital raising via the tranches issue of convertible notes. Bass received an overall initial commitment to the issue of \$2.5m, consisting of \$1.4m up front and \$1.1m of commitments subject to shareholder approval.

Bass has made considerable progress placing the balance of up to \$4m and anticipates receiving the full \$4m over the current quarter.

The Company is in a strong financial position at 30 June 2019, with approximately A\$2.7m in cash and receivables.

#### **Management and Divestment of Tasmanian Assets**

The Company continued its care and maintenance activities in Tasmanian during the quarter. The Fossey and Que River projects continue to comply with their respective Care and Maintenance Plans.

The Company continues its divestment process for these assets and continues to engage with a number of parties to progress discussions.

#### **SUMMARY**

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Bass made considerable progress over the June Quarter of 2019, and are well placed to continue its progression towards positive cash flow from operations at Graphmada, in conjunction with pursuing the potential of the broader resource via ongoing exploration.

Bass delivered record results across all key metrics over the quarter and sees this trend continuing. Bass is beginning to see the benefit of considerable additional capital investment completed year to date, with further continuous improvement in production metrics.

Critically, Bass continues to expand its sales and sales channels and sees both growing over the coming quarter. Bass continues to progress towards having all the elements in place across operations and sales to deliver to its highly valued shareholders.

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## TENEMENT & PERMIT HOLDING

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

Country	Region	Tenement / Permits	Interest
Australia	Tasmania	EL48/2003 Mt Block 2 (under Renewal)	100%
Australia	Tasmania	CML 103M/1987 Hellyer Mine Lease 1&2	100%
Australia	Tasmania	CML 68M/1984 Que River Mine Lease2	100%
Australia	Tasmania	ML 10W/1980 Access Easement to QRML	100%
Madagascar	Antsinanana	PE 25600 Loharano (East)	100%
Madagascar	Antsinanana	PE 26670 Mahefedok	100%
Madagascar	Antsinanana	PE 24730 Andapa	100%
Madagascar	Antsirabe	PRE 4383	100%
Madagascar	Antsirabe	PE 11545	100%
Madagascar	Antsirabe	PE 39808	Mineral Rights

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.
2. Intec Limited holds a 2.5% NSR Royalty over all Product from Bass' interests in EL48/2003, CML68M/1984 and CML103M/1987.

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## Forward Looking Statements

This announcement contains certain 'forward-looking statements' within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'may,' 'should,' 'expect,' 'anticipate,' 'estimate,' 'scheduled' or 'continue' or the negative version of them or comparable terminology.

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## Competent Person Statement

The information in this document that relates to Mineral Resources, Exploration Targets and Results 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 mineralization 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 document in the form and context in which it appears.