

ASX Announcement 18 December 2019

Bass achieves key milestones at Graphmada, setting a robust platform for its growth objectives.

Bass has commenced studies and approvals for large scale mining and processing operations.

Bass Metals Limited (ASX:BSM) (Bass or the Company) has over the last 3 years established a strong platform to progress towards its broader objectives targeting large scale mining and processing operations at Graphmada. With the establishment already of production, sales and sales channels, a large and growing resource, production experience, secure tenure and supporting infrastructure Bass is now poised to move to the more value accretive stages of its overall strategy.

HIGHLIGHTS

- Bass over the course of its Stage 1 operations has established a strong platform for the successful scaling of its current operations.
- Bass has attained key milestones and has now significantly de-risked its overall operations.
- Bass will now commence detailed feasibility studies as part of the next phase of development to substantially increase production, via modular process increments.
- The studies will focus on hydraulic mining, proprietary modular processing systems and other key innovations proposed to reduce operating costs and incrementally grow production at declining capital intensity.
- Bass has also received subscription commitments for a further \$1.195 m being the balance remaining of the convertible notes raising leaving the company with over \$3m cash and receivables. This provides Bass with the funding to advance the detailed feasibility studies without the need to raise equity capital in the near future.

- Bass will temporarily pause mining and processing activities during the upcoming monsoon season in Madagascar. Drying, screening and packaging operations will continue over the period and Bass will continue to generate revenue. Full mining and processing operations are scheduled to recommence in April 2020.
- Bass will continue extensive exploration at Graphmada to further grow its resource base of soft, easily mineable, regolith hosted graphite mineralization to support increased production.
- Bass will continue to progress its Joint Venture (JV) discussions with Urbix Resource LLC (Urbix), with plans to develop advanced graphite and specialty carbon manufacturing facilities at site and at the port of Tamatave, Madagascar.

ACHIEVEMENTS TO DATE

The long-term strategy at Graphmada has been to establish a significantly derisked platform to progress the highly value accretive next stage objectives. The goals of the next stage are to capitalize on the Company's progress to date and to significantly expand production with the aim to materially lower capital expenditure and operating costs.

Bass in establishing this robust operational platform have delivered the following:

- Sustainable production of premium graphite concentrates achieved
- Strong and improving large flake percentage achieved
- Strong sales capacity achieved with nearly all current inventory under contract
- Successful establishment of product in market with multiple customers with no product rejected or penalized
- Resources at Graphmada have increased over 150% from 5.7mt to 14.3mt with significant upside potential remaining

- Invaluable graphite processing intellectual property developed and retained
- Establishment of key relationships both locally and federally via significant investment and employment of local communities

Table 1: The total Mineral Resources for Graphmada Mining Complex^{1 2}.

Total	Tonnes	TGC	Contained Graphite
Measured	0.4 Mt	4.1%	16 Kt
Indicated	4.0 Mt	4.3%	172 Kt
Inferred	9.9 Mt	3.9%	386 Kt
Total	14.3 Mt	4.0%	574 Kt

Complimenting these achievements, Bass has established long term:

- permitting and land ownership over its projects (40-years and 20-years respectively)
- efficient infrastructure both at mine and port, including warehouse facilities
- a best practice safety and health culture amongst its workforce
- sustainable environmental practices and standards

With these key objectives achieved and having added significant long-term value to the Company, Bass is now poised to establish a high value accretive expansion of production.

¹ Reported in accordance with the 2012 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code 2012') See ASX Announcement 'Bass delivers outstanding increase in Mineral Resources' released on the 4/12/19.

² The Loharano Mineral Resource that forms part of the Company's Mineral Resources herein was reported in accordance with the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ('the JORC Code 2004') at a >2% cut-off and first disclosed by Stratmin Global Resource PLC under the JORC Code 2004. Bass Metals notes that the estimates have not been updated to JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Reference should be made to the Company's announcement of 2/09/15, for further detail.

LARGE SCALE AND DOWNSTREAM FEASIBILITY STUDIES

Having recently announced additional Mineral Resources³ potentially capable of sustaining long life operations at increased production rates, Bass is pleased to announce it has commenced studies for large scale mining and processing operations in Madagascar.

As a precursor to concluding these detailed feasibility studies with the input of external parties, the Company recently completed a 300-page in-house study in support of large scale production. The work included integration with a potential advanced carbon products manufacturing facility based in Tamatave, the major export port of Madagascar.

The feasibility studies, to be completed by the end of 2020, will focus on key items proposed to reduce operating costs and incrementally grow production with market demand at the lowest possible capital intensity.

Key focus areas of the feasibility studies will include:

- **Hydraulic Mining** - as one of the lowest operating cost methods of mining, hydraulic mining provides operations minimal disruption from the monsoonal impacts, while negating capital expenditure on haul roads and associated haulage infrastructure, including extra fleet capacity. By slurring the ore to a series of modular process plants, hydraulic mining will also reduce the need for a complex all-weather feed system for processing. The Company expects to deliver the results of this work in the first quarter of 2020.
- **Processing** - Bass intends to finalize detailed designs for a proprietary modular processing system based on the extensive knowledge and expertise collected and fully retained within the Company over the last 3 years of

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operations. With additional Mineral Resources, the ability to either increase mine life or scale up operations via additional modular plants provides maximum strategic advantage to meet growing market demand. The Company will engage external consultants to assist with completing the design and expects results in the second quarter of 2020.

- **Drying and Packaging** – studies will consider drying and packaging operations to be centralized in Tamatave, including supporting services such as administration, laboratory analysis and logistics. Haulage of wet tonnes to a centralized drying and packaging plant with its own truck fleet will see Bass significantly reduce logistic costs and simplify its operational footprint to allow maximum strategic optionality across the region. These proposed drying and packaging operations will also be capable of toll treatment of third-party wet concentrates, ensuring Bass becomes the key strategic player in the Madagascar graphite industry. Importantly, existing customers and potential technology partners have already signaled their interest in supporting this initiative with offtake discussions to be progressed in parallel with the studies. The establishment of these operations in Tamatave are also seen as the prelude to the manufacture of specialty carbon products at scale. The Company plans to complete this component of the studies in the second quarter of 2020.
- **Tailings Storage** - with hydraulic mining, the ore and waste are separated at the front end of the modular process plant, where the waste heads to tailings as a significantly dewatered slurry. The water is then recycled to hydraulic mining operations as part of the Company's strong sustainability focus. While this will increase the amount of tailings to be stored, this approach negates the design and building of a waste dump. With the likely tailings deposition to be backfilling of existing voids and pits into relatively flat farmable plots, the plan will provide a sustainable solution for beneficial use of the land long after mining has ceased. The Company envisages this work will be completed post the hydraulic mining and processing work and will be made available in the third quarter of 2020.

- Mine Planning** - a key component of any feasibility study is integrating studies such as the above into a single mine plan that generates Ore Reserves in accordance with the JORC Code (2012). With an expected significant decrease in operating costs, Bass is aiming to review various operational parameters and inputs such as head grade and recovery to determine the most suitable cutoff grade for Mineral Resource and Ore Reserve estimation. Mining planning will also ensure the most optimal resource is mined sequentially in order to maximize revenue and subsequently, returns to shareholders. This work will incorporate environmental impact studies based on a revised mining and processing methods. The Company seeks to complete this work in the fourth quarter of 2020.

On completion, and before submission for Large Project Status under Malagasy Mining Law, an independent peer review will be tabled to ensure the quality of the feasibility study's results. The study in its entirety is expected to be completed by the end of 2020.

Bass will also, in parallel with these studies, continue exploration and drilling with the aim to add further Mineral Resources, to support a modular expansion to material production levels over a long term mine life.



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LARGE PROJECT STATUS

The feasibility studies undertaken by the Company will underpin the Company's application for Large Project Status under the Large Mining Investment Code (LMIC) as defined under Malagasy Mining Law (Law no. 2001-031) and drafted with the assistance of the World Bank. This law provides for specific investment incentives for projects achieving 'Large Project Status' and is a critical ingredient in making a large project attractive for investors in Madagascar. Certification of a project under the LMIC requires completion of environmental studies, issuance of mining or exploration permits, and accreditation by the Malagasy government of the investment plan.

Bass has several crucial elements already in place, with an operating mine and has advanced several other factors.

The key benefits of the LMIC include:

- Reduction of the royalty fee to 1%;
- Duty-free import of all project equipment and material;
- Reduced general tax regime;
- Stability guarantees concerning legislation;
- Rights and guarantees to foreign currency including offshore accounts; and
- Warranties concerning foreign workers.

Post feasibility studies, Bass anticipates a number of months preparation for the submission of the Company's application process. Once submitted at the 'Commission des Grands Investissements Minier' the application has a set timeframe for regulatory approval of 60 days.

CONVERTIBLE NOTE CAPITAL RAISING

Bass has received subscription commitments for a further \$1.195 million being the balance remaining of the convertible notes raising with funds to be

subscribed over the course of the next month. Once the balance of the convertible note subscription funds are received the company will have over \$3m cash and receivables. This will provide Bass with the funding to advance the detailed feasibility studies without the need to raise equity capital in the near future.

FRONT END PROCESSING PAUSED FOR WET SEASON

Bass has made the strategic decision to pause mining and front-end processing by the end of December ahead of the upcoming monsoon season. Bass will continue drying and screening of graphite at Graphmada and will continue to sell current and new inventory. Bass maintained full operations through the wet season at the start of 2019, delivering modest production and an operating loss for the quarter, as the site received well above anticipated average rainfall.

Drying, screening and packaging operations will continue, generating revenue throughout the monsoon season, with full operations scheduled to recommence in April 2020. Bass will also receipt income from this quarter's strong sales along with a small balance of its inventory left uncontracted.

CONTINUED DISCOVERY SUCCESS

Estimated in accordance with JORC, Bass now has identified approximately 574kt of contained graphite at Graphmada⁴ which will facilitate, progressing its core objective of materially growing its production profile through a series of modular expansions, with significant mine life.

Starting in the first quarter of 2020, Bass will follow up on the highly successful Mahela campaign and with additional work at the Ambatofafana prospect. The

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aim of the second campaign at Mahela is to add additional resource but also explore the large flake graphite mineralization trend between the Loharano and Mahela deposits, a trend with a known strike length of approximately 4 km.

PROGRESSION OF HIGH VALUE PARTNERSHIPS

With Bass already producing high carbon concentrates with a significant proportion of its production in the large flake categories, the Company has sort high value partnerships, such as recent discussions with Urbix Resources (Urbix). Urbix has an advanced process for cost-effective upgrading of flake graphite to very high levels without loss of flake size or cash margins. Since Bass' concentrates have tested to be highly applicable for lithium battery, expandable and potentially graphene applications, the Urbix process is especially suitable.

The Company continues JV discussions with Urbix, with Jeff Marvin (Director) and Rick Anthon (Chairman) recently visiting Urbix's leadership in Arizona. Bass and Urbix confirm that talks are materially progressing towards signing a JV agreement in the near term.

Bass is also exploring a variety of potential collaborations across a number of new technology applications for graphite and carbons, including the high forecast growth markets of EV battery anode and expandable graphite, as well as new age graphene and nuclear applications.

TIM MCMANUS CEO

"The work completed over the last 3 years has been crucial to setting a platform from which we can grow.

Our new development strategy will see Bass become a globally significant large flake graphite producer, with first quartile C1 operating costs. From this larger production profile and scale, Bass will be able to develop specialty carbon manufacturing and aggressively pursue its strategy to become a fully integrated

graphite and specialty carbons business positioned for the rapid uptake of new age carbon technologies.

We eagerly await what 2020 will bring and will continue to work hard to deliver sustainable and long term value to our highly valued shareholders.”

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Competent Person Statement

The information in this document that relates to Exploration Results, Exploration Targets and 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 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.