

12 September 2011

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

Dear Sir

### **ADDITIONAL BANK FACILITY AND RIGHTS ISSUE FUND RAISING**

Bass Metals Ltd (ASX:BSM) (“Bass” or the “Company”) is pleased to advise that it has received confirmation from RMB Australia Holdings Ltd (RMB) that its existing Corporate Loan facility has been increased by \$13 million. As announced on 24 and 31 August, 2011 Bass is now seeking to raise a further \$8 million (but up to \$10.7 million) through an entitlements offer to existing shareholders, which coupled with the new debt facility will complete the recapitalisation of the Company.

#### ***Debt Limit Extension***

RMB has notified Bass Metals that it has received credit approval to extend its existing Corporate Loan facility by \$13 million. The debt facility with RMB shall now become in total \$26.6 million which is due to be repaid progressively by 30 June 2014. This offer to increase its existing facilities from RMB follows an extensive due diligence process which included an independent technical review of the revised Fossey Mine plan by Snowden Mining Industry Consultants.

The RMB offer is conditional on standard conditions precedent, such as completion of documentation and includes a requirement for Bass to raise a minimum of \$8 million in new equity and the issue to RMB of up to a total of 86.7 million Lenders Options, which will be subject to Bass share holder approval. The Company can draw down \$9 million of the \$13 million extension amount prior to the completion of the equity raising, with the balance being available thereafter. Bass is required to issue 21.7 million options for the initial drawdown and 5 million options for every \$1 million drawn down thereafter on the \$13 million extension to the Corporate facility. The Lender Options will have an exercise price of either 20 cents or a 20% premium to any equity offer price, whichever is the lower and expire on 30 September 2014.

#### ***Non-Renounceable Entitlements Offer***

Bass is pleased to offer existing shareholders the opportunity to subscribe for 1 new share plus one free attaching option for every 3 existing shares held via a non-renounceable entitlements offer (the “Offer”).

The price for each new share shall be A\$0.15 and the free attaching option, which is planned to be listed on the ASX, will have an exercise price of A\$0.20 each and will expire on 30 September, 2014.

The pricing of both the new shares and the new options are identical to the prices and terms that applied to the subscribers for the Tranche 1 facilities of A\$4.3 million as announced to the ASX by Bass on 8 August 2011. A General meeting of Shareholders is planned for 26 September 2011 to seek shareholder approval of various resolutions relating to this Tranche 1 capital raising activity.

The minimum raising under the Offer shall be \$8 million and if fully subscribed the total amount raised (before costs) would be \$10.7 million.

The Offer will include the opportunity for shareholders to subscribe for new shares (with attaching options) in excess of their entitlement and the Company will also reserve the right to place any shortfall of new shares with attaching options.

The purpose of the equity issue is to provide additional funds to maintain the planned major exploration program, complete the Gold Recovery Project feasibility study and for general working capital.

Helmsec Global Capital is the Lead Manager to the Offer. Full details of both the Entitlements Offer and the RMB debt facility extension will be provided in a Prospectus planned to be lodged within the next 7 days along with a timetable and pro-forma Appendix 3B.

### ***Commentary***

The Directors consider that the geological and mining setbacks which occurred suddenly at its Hellyer Mine operations in early June, 2011 have been managed and that the Company has taken all appropriate measures to minimise the potential likelihood and impacts of any similar style events recurring.

Following an extensive review and due diligence process (including that by RMB), which included external consultants, the Company considers that it has a robust operational plan to take it forward.

These fundraising processes are anticipated to place the Company's operations completely "back on track" and ensuring an adequate working capital buffer for a business of the scale of the Hellyer Mine Project whilst providing sufficient funding for:

- an aggressive exploration program across its highly prospective land holding around the Hellyer Mill; and
- full evaluation of the potential to recover gold from the Hellyer Tailings.

The Board considers that this financing structure is a very good outcome for all shareholders in a difficult financial market environment.

The support of RMB through the offer of additional funding is clearly encouraging for the potential of the project and the future of the Company. Likewise, the involvement of Helmsec, a resources capital markets specialist as Lead Manager to the Offer is also regarded as a positive sign by the Board.

### ***Continuing suspension***

It is the Board's intention to request that ASX keep the Company's shares suspended until some degree of certainty surrounding the entitlements offer has been achieved. While the Board is confident that the entitlements offer will be successful, it considers that reinstatement of trading in the Company's shares before this certainty is reached makes it

difficult for the market to properly assess or value the Company's shares and reinstatement of the Company's shares is likely to be materially prejudicial to the Company's ability to successfully complete the entitlements issue which is critical to the Company's continued financial viability.

As mentioned in the ASX release of 8 August, 2011 the Board is contemporaneously pursuing a number of financing strategies in addition to the entitlements issue.

The Board appreciates the support and patience of its employees, service providers and shareholders through this process and looks forward to successfully concluding this fundraising.

Yours sincerely



Mike Rosenstreich  
*Managing Director*