

20 July 2011

Bass Metals Repositioning Itself to Rebuild Lost Value and Realise Growth Potential

HIGHLIGHTS:

- **Revised Hellyer Mine Project (HMP) Mine Plan completed.**
- **Fossey mine now largely developed.**
- **Clearer understanding of grade and water inflow issues reduces risk at Hellyer Mine Project (HMP)**
- **\$25 million capital raising to provide short-term stability and drive future growth.**
- **Plans in place for \$6.5 million exploration and feasibility study program.**
- **Exploration upside highlighted by exciting McKay Zone discovery.**

The Board of **Bass Metals Ltd (ASX:BSM)** (“**Bass**” or “the **Company**”) is pleased to report that a revised mine plan for the Hellyer Mine Project (HMP) in Tasmania has been completed, providing a clear path for revitalising Bass’ business plan and its future growth aims.

On July 11, 2011 Bass Metals announced that it had requested a Trading Halt of its securities on the ASX pending completion of a \$25 million re-financing transaction to support an updated HMP operating plan.

The revised mine plan and updated cash flow estimates, developed by the Company’s operations team, has now been completed, providing the Company with a clearer path forward for its business plan focussed on progressing three key assets which are the main value drivers for the Company; the producing HMP, prospective exploration acreage and a major gold-silver resource.

Bass’ Managing Director, Mike Rosenstreich, commented:

“While the adverse and unforeseen technical events related to increased water inflow and a lower head grade at Hellyer have affected our short term cash flow schedule, the Company has moved quickly to overcome the water issue and to develop an updated Hellyer Mine Plan.

“It is our contention that HMP is now a significantly lower risk project on the basis that the Fossey Mine is now largely developed and better understood, mining is now planned to focus solely on the updated high-grade massive base metal sulphide zones and the progressive upgrading of the dewatering system will provide continuing benefits.

“The Company’s other assets have continued to deliver on their potential, including the positive exploration drilling around Fossey and at Fossey East and the ongoing gold testwork results. Infill drilling within the high-grade portion of the Fossey East Resource is yielding positive, high-grade intercepts and the discovery of the new McKay Zone demonstrates the potential of the Hellyer-Fossey trend to deliver additional discoveries.

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“Therefore, whilst there has clearly been a production set-back, the high-grade nature of our resources, the local prospectivity and the determination of the work force, means that Bass Metals is well positioned to rebuild that lost value and realise its growth potential.”

Mr Rosenstreich noted that the Company is in advanced discussions with several parties seeking to raise \$25 million (before costs) of new capital through two tranches of Convertible Notes with the funds to be used to; manage a short-term working capital deficit largely associated with the HMP (\$8 million), maintain a minimum working capital position of \$9 million and provide adequate funding of approximately \$6.5 million over the next 12 months to sustain a large scale exploration and feasibility study program. The secured lender to the project, RMB Resources Ltd is supportive of the measures being undertaken by the Company and subject to the completion of the above financing has not requested advancing the scheduled repayments of the outstanding \$13.6 million debt which is due to be repaid by 31st December 2012.

The Company has also completed a revised cash flow estimate that, has found that:

- The HMP is estimated to generate a \$45 million operating surplus in 18 months, net of the \$13.6 million primary debt.
- Technical and operating cost assumptions are considered to be conservative as they are based on actual performances achieved to date.
- Does not include any upside from Fossey East resources, which conceptually could contribute a further \$20 million operating surplus; and
- Assumes recapitalisation to a level of \$25 million before costs.

“Our team and the independent advisors have worked hard and continue to work hard to overcome the unforeseen setbacks that impacted operations at Hellyer and have defined a clear path forward for the Company,” Mr Rosenstreich said.

“With the support of this funding, the Directors of Bass Metals are confident that the Company will now be able to achieve the targets for growth and profits that our quality Tasmanian assets hold.

“We look forward to providing the market and our shareholders with further positive details of our business and development plans going forward,” Mr Rosenstreich said.

For the full details on assumptions and technical background the reader is referred to today’s comprehensive report to ASX by Bass Metals Ltd.

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Media

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COMPETENT PERSONS STATEMENTS EXPLORATION RESULTS

The information within this report that relates to exploration results is based on information compiled by Mr Kim Denwer who is a full time employee of the Company. Mr Denwer is a Member of the Australian Institute of Geoscientists. Mr Denwer has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person as defined in the 2004 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)” and he consents to the inclusion of this information in the form and context in which it appears in this report.

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MINERAL RESOURCES

The information in this report that relates to the Fossey Mineral Resource estimate is based on information compiled by Mr Steve Richardson who is a fulltime employee of the company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Richardson has sufficient experience which is relevant to the style of mineralisation and type of deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)". Mr Richardson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

ORE RESERVES

The information in this report that relates to the Fossey Ore Reserve estimate is based on information compiled by Mr Victor Rajasooriar who is a full time employee of the Company and a Member of the Australian Institute of Mining and Metallurgy. Mr Rajasooriar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves (the JORC Code)". Mr Rajasooriar consents to the inclusion in this report of the matters based in the form and context in which it appears.