ABN 31 109 933 995

21 October 2009

The Manager Companies
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

BASS SET FOR MAJOR TRANSFORMATION AFTER FEASIBILITY STUDY FINDS FOSSEY DEPOSIT HIGHLY PROFITABLE

Highlights

- Bass on track to kick-start development of its Hellyer Mine Project after definitive feasibility study concludes that the Fossey deposit is financially robust.
- Project is based on initial ore production of 851,000 tonnes over two-three years, producing a total of 167,000 tonnes of saleable zinc, lead and copper-precious metals concentrates.
- Fossey start-up to pave way for larger-scale development at Hellyer through conversion of the existing 2.3 million tonne resource to reserves, providing scope for increase in production rate and mine life
- Fossey estimated to generate an operating surplus of $50 million after capital costs of $26 million.
- Production costs forecast to be US39c/lb payable zinc (after credits), placing it in the lower half of world production cost curve.

Overview

Bass Metals Ltd (ASX:BSM) is a profitable mining and exploration company with operations in Western Tasmania. It posted a $7.4 million underlying operating profit for the year to June 30, 2009 from sales of its Que River polymetallic (zinc, lead, copper, silver & gold) ore. Last month the Company revealed it had struck a new agreement to sell up to 100,000 tonnes of Que River ore to MMG Australia, which based on the current mine plan has ore sales continuing until July 2010.

The Que River Mine and the ore sales arrangement has provided Bass with the cash-flow to fund all its exploration and development activities for the past two years including the acquisition of the 1.5mtpa Hellyer processing plant and the completion of the Fossey feasibility study. As a result, Bass has no debt and has not raised any equity for the past two years.

Bass' near-term production growth is planned to come from the Hellyer Mine Project, which comprises a high grade polymetallic Mineral Resource of 2.3 million tonnes in close proximity to its Hellyer Plant, with scope to support a five year project life.

Bass is now pleased to announce that a Definitive Feasibility Study (DFS) to mine and process the Fossey deposit has just been completed.

As outlined below, the DFS outcomes highlight that the Fossey mine development and utilisation of the Hellyer plant to produce zinc, lead and copper-precious metals concentrates appears financially and technically robust.

16 Thelma Street WEST PERTH WA 6005
PO Box 1330 WEST PERTH WA 6872
Telephone (08) 9322 8044 Facsimile (08) 9481 2846
www.bassmetals.com.au

In light of this, Bass will now examine options for funding the development of Fossey and the refurbishment of the Hellyer plant, which together is estimated to have a start-up capital cost of $18 million plus working capital.

As the Fossey Mine development commences, subject to financing and relevant approvals, Bass will seek to add to and convert its resource base in the vicinity of its Hellyer plant into Ore Reserves. Continued success in exploration and ore reserve delineation has the potential to underpin substantial increases in the life of the Hellyer Mine Project and boost the production output of the Company significantly. To increase revenue and improve scales of economy, the Company is also evaluating the restart of the Hellyer Tails Retreatment Project, as well as several toll treatment options which have the potential to fully utilise its 100% owned, 1.5mtpa Hellyer processing plant.

Bass has highly prospective tenement holdings renowned for world-class polymetallic deposits around its Hellyer-Que River operations. Supported with an expanding mine production profile the Company is well poised to achieve further exploration success and meet its objectives of growing into a significant mid-tier diversified mining house.

Fossey Definitive Feasibility Study (DFS) Outcomes

Introduction
Bass' DFS evaluated a new underground mine at the Fossey deposit, with a production rate of 400ktpa feeding the Hellyer Plant to produce approximately 80ktpa of saleable quality zinc, lead and copper-precious metals concentrates (refer Table 1). The DFS has generated a positive financial and technical outcome with an EBITDA of approximately $75 million and a positive operating surplus of approximately $50 million, after capital expenditure of $26 million at an overall C1 production cost of US$0.39/lb payable zinc (after credits), which is in the lower half of the world cost curve.

Table 1: Fossey DFS Summary

Technical Parameters			
Ore Reserve/Mining Inventory	851kt at 8.6% Zn, 5.0% Pb, 0.3% Cu, 120 g/t Ag & 2.4 g/t Au		
Mine Life	c. 3 years (*from start-up, i.e. decline commencement, to completion*)		
Concentrate Production	Zinc Concentrate: 105kt at 53% Zn 150 g/t Ag		
	Lead Concentrate: 53kt at 59% Pb, 478 g/t Ag & 2.3 g/t Au		
	Copper-Silver Concentrate: 9kt at 18% Cu, 4374 g/t Ag & 9.1 g/t Au		
Estimates of Financial Outcomes			
	Units	**Total**	**A$/t ore**
Gross Revenue	A$M	229	269
Net Smelter Return	A$M	174	205
Site Operating Costs	A$M	86	101
Royalties*	A$M	14	17
EBITDA	**A$M**	**74**	**87**
Start-up Capital Costs	A$M	18	21
Ongoing Capital Costs	A$M	8	9
EBIT	A$M	48	57
EBIT Margin	%	c.28%	c.28%
C1 Costs (per lb payable Zn after credits)	**US$/lb**	**US$0.39**	
**includes State and production/incentive royalties.*			

An interim approval to commence the decline into the Fossey deposit has already been received from the Environmental Protection Authority, and a final statutory approval is expected in either

December 2009 or early 2010. The Company is well advanced on financing discussions utilising an appropriate mix of debt and equity. Subject to timely approvals and planned progress on the financing process, commencement of the decline is planned to start in December 2009, with first concentrate production planned for the September Quarter, 2010.

HMP Mineral Resources

The HMP Study is focussed on developing a minimum five year mining and processing plan based on a combined Mineral Resource of 2.3 million tonnes of high grade polymetallic massive sulphide resources located within a 4km radius of the Hellyer Mill. Refer Table 2 for a summary of the Mineral Resource Inventory. It is important to note that the recently completed DFS relates only to the mining and processing of the ore derived from the Fossey deposit. Evaluation of the existing Que River (open pit and underground) and Hellyer underground resources will commence shortly with the aim of increasing the Ore Reserve position, as well as targeting additional resources from ongoing exploration drilling.

Table 2: Massive Sulphide Mineral Resource Summary – Que Hellyer Area.

Deposit	JORC Classification	Tonnes 000's	Cu %	Pb %	Zn %	Ag g/t	Au g/t
Fossey[1]	Indicated	690	0.4	6.1	10.4	143	2.5
	Inferred	110	0.3	4.3	7.4	106	2.1
	Total	**800**	**0.4**	**5.8**	**9.9**	**137**	**2.5**
Hellyer Remnants[2]	Indicated	640	0.4	4.0	6.8	83	1.3
	Inferred	110	0.2	4.9	8.1	107	1.5
	Total	**750**	**0.3**	**4.1**	**7.0**	**87**	**1.3**
Que River[3]	Measured	80	1.3	3.1	6.0	119	1.6
	Indicated	450	1.2	2.8	5.6	85	0.7
	Inferred	180	1.0	2.6	4.8	72	0.7
	Total	**720**	**1.1**	**2.8**	**5.4**	**85**	**0.8**
Total Combined		**2,270**	**0.6**	**4.3**	**7.5**	**104**	**1.6**

- *Note results are rounded and small rounding errors may occur.*
- *This summary includes the Ore Reserves presented in Table 3 below.*
- Full technical details and attributions are available for each Mineral Resource estimate in the following original reports to ASX:
  1. Refer report to ASX 18 August 2009
  2. Refer report to ASX 26 October 2007
  3. Refer report to ASX 14 September 2009

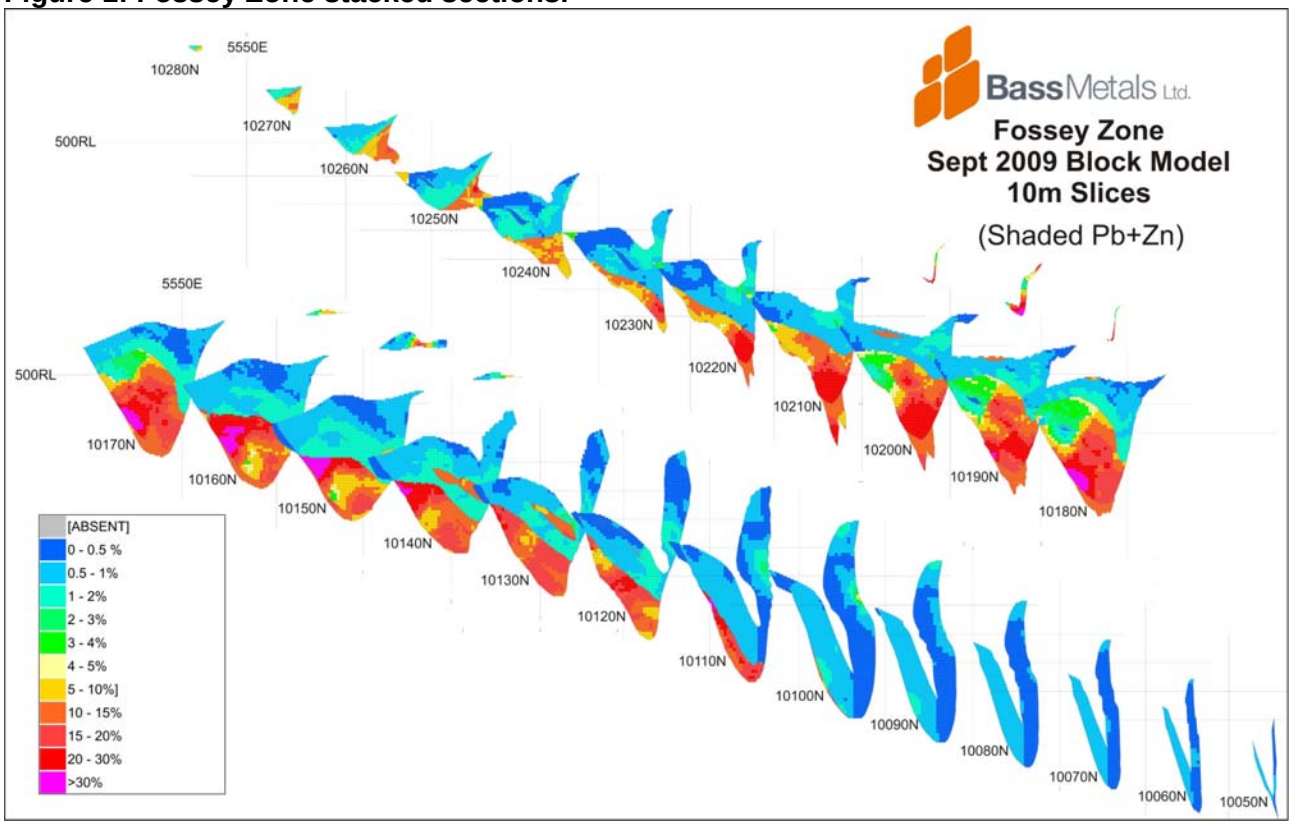
Fossey Ore Reserves

The initial phase of the project will comprise the Fossey Mine development with planned production of 851kt comprising Ore Reserves of 790kt (reported in accordance with the JORC Code) and a further mining inventory of 62kt; which is sufficient to maintain production for just over the first 2 years of the project life (Refer Table 3).

The lead and zinc grade distribution through the Fossey Zone Ore Body Block Model is presented in Figure 1, highlighting the strong footwall boundary and the favourable mining geometry of the mineralisation.

Mancala Mining Pty Ltd (Mancala) generated the mining component and Ore Reserve for the DFS. This contribution was part of the terms of an agreement whereby the existing Que River Mining Alliance will be extended to include the Hellyer and Fossey resources. Mancala contributes a unique technical legacy for both Que River and Hellyer with its key technical personnel having held senior production/engineering positions on both operations, as well as their proven track record at the Company's Que River Mine.

Figure 1: Fossey Zone stacked sections.



The Fossey Ore Reserve outline is based on the "hard" geological boundaries (footwall) and a marginal cut off grade of 4% Pb+Zn ($70/tonne). Dilution and recovery parameters appropriate for long-hole open stoping methods, employing cemented aggregate fill in some of the stope voids were applied to estimate the final Ore Reserve (Refer Attachment 1).

Table 3: Fossey Ore Reserve / Mining Inventory

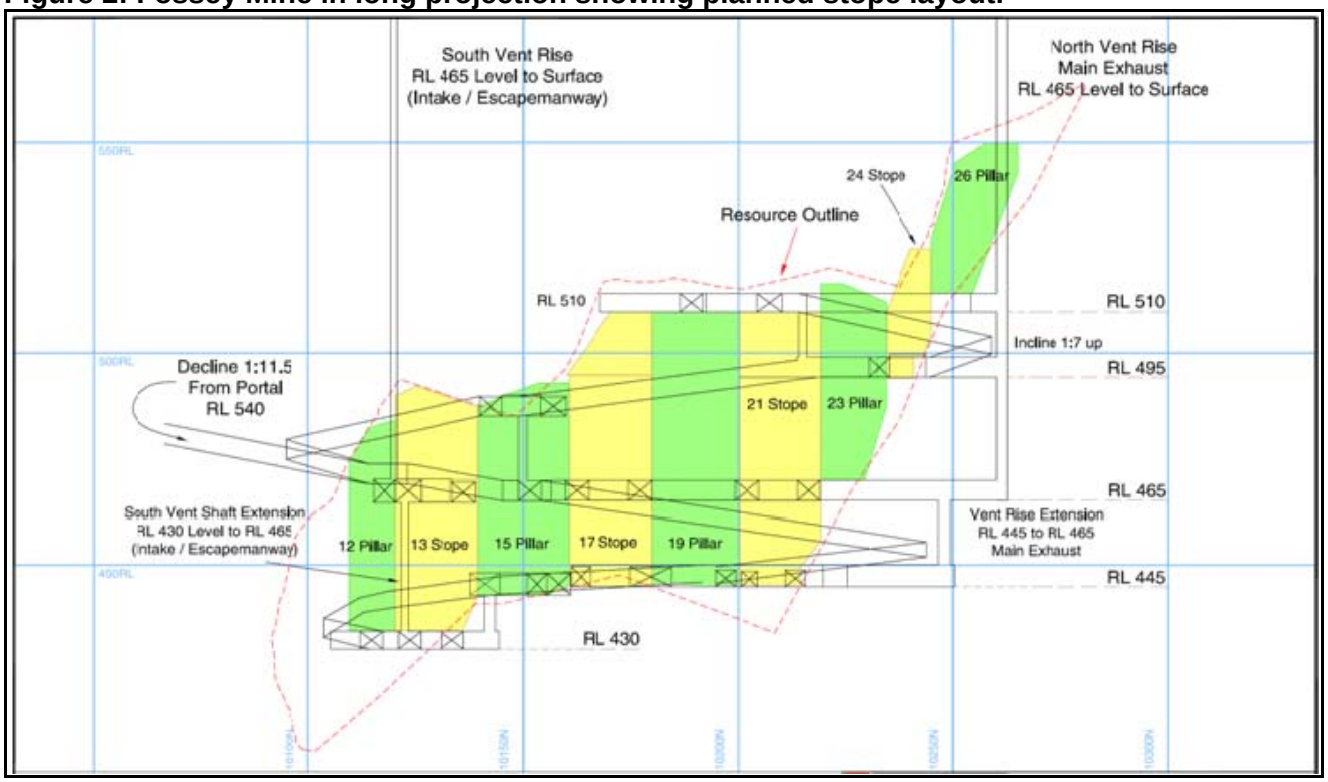
Category	Tonnes 000's	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)	Au (g/t)	SG (t/m^3)
Mining Inventory	62	0.2	3.8	6.2	84	1.9	4.0
Probable (Stopes)	721	0.3	5.1	8.8	125	2.4	4.2
Probable (Dev.)	69	0.3	5.2	8.4	101	1.9	4.1
Total	**851**	**0.3**	**5.0**	**8.6**	**120**	**2.4**	**4.2**

Note results are rounded and small rounding errors may occur.

The Fossey Mine will be a new mine, but in very close proximity to existing mine infrastructure and the Hellyer plant. The DFS proposes to access the Fossey ore body via a 1:11, 910 metre long decline and then take advantage of the wide ore zones to establish a productive mine method which will maximise the extraction of this high grade ore at a nominal rate of 400ktpa. Figure 2 is a schematic long projection illustrating the general mine plan and key infrastructure.

16 Thelma Street WEST PERTH WA 6005
PO Box 1330 WEST PERTH WA 6872
Telephone (08) 9322 8044 Facsimile (08) 9481 2846
www.bassmetals.com.au

Figure 2: Fossey Mine in long projection showing planned stope layout.



Metallurgy & Processing

There is extensive previous experience of metallurgical testwork and ore treatment at the Hellyer Plant relevant to the Fossey, Hellyer and Que River deposits. Therefore the focus of the metallurgical test work for the DFS has been to:

- determine the mineralogical characteristics of the Fossey Zone material relative to the Hellyer ores previously treated, given that the Fossey deposit is a new discovery; and,
- confirm that the flowsheet and reagent regime previously used for Hellyer ore applies to the Fossey deposit ore, prior to an optimisation process.

This "brown fields" approach is a much lower risk exercise than determining the process route for a newly discovered mineral deposit where the likely treatment regime is a "blank page".

The Hellyer Deposit is generally regarded as being metallurgically complex due to the high pyrite content and the very fine grained, interlocking texture of the economic sulphide minerals. There are significant positive mineralogical differences between typical Fossey and Hellyer ore, indicating that the Fossey ore has enhanced processing attributes.

BSM has undertaken a detailed series of Locked Cycle flotation tests on samples of drill core intersections distributed through the Fossey Zone. Locked Cycle testwork represents "ideal plant performance" and the results should be regarded as targets when scaled up for processing plant conditions. The first suite of results testing the main ore types is presented in Table 4.

Table 4: Locked Cycle flotation test results for main Fossey ore types.

	Fossey Ore			Hellyer Ore
Product	**Low Barite Composite**	**Med Barite Composite**	**Stringer Zone Composite**	**LOM* Plant performance**
Lead Concentrate *Conc.grade/recovery*	63% Pb 87% recovery	58% Pb 69% recovery	63% Pb 77% recovery	60% Pb 42% recovery
Zinc Concentrate *Conc.grade/recovery*	60% Zn 93% recovery	54% Zn 82% recovery	55% Zn 89% recovery	50% Zn 65% recovery

16 Thelma Street WEST PERTH WA 6005
PO Box 1330 WEST PERTH WA 6872
Telephone (08) 9322 8044 Facsimile (08) 9481 2846
www.bassmetals.com.au

*LOM-Life of Mine

This testwork confirmed the conclusions from mineralogical assessments that Fossey ore has considerably enhanced metallurgical properties when compared to the Hellyer deposit ore and that the Fossey ore is amenable to sequential flotation producing separate zinc, lead and copper-precious metal concentrates with no bulk concentrates produced.

This first stage locked cycle testwork was followed up with confirmatory testing on samples representing individual stopes including estimates of mining dilution and composites representing the gross ore body (and dilution). These results provide a measure of the "stope by stope" variability the plant could expect as mining progressed and a summary of the resultant concentrate specifications is presented in Tables 5. These results form the basis of metallurgical performance assumptions for financial modelling, however with further discounts applied, to add a plant "reality factor" and also to allow for the ramp-up in plant performance over the first six months of operation.

It is planned to run the plant on a 4 week-on, 4 week-off, campaign basis enabling the entire capacity of the existing circuit to be utilised as close as possible to its original design capacity.

Table 5: Zinc and Lead Concentrate Specifications

		Zinc Concentrate		Lead Concentrate		Copper-Silver Concentrate	
	Units	**Year 1**	**Year 2**	**Year 1**	**Year 2**	**Year 1**	**Year 2**
Zn	%	49.0 - 52.0	51.0 - 54.0	11.0 - 9.5	10.0 - 8.5	18 - 16	18 - 16
Pb	%	7.0 - 6.0	6.5 - 5.0	55.0 - 58.0	57.0 - 60.0	8 - 6	8 - 6
Ag	g/t	130 - 160	130 - 160	440 - 480	450 -490	3500 - 4250	3600 - 4300
Au	g/t	2.3	2.4	2.3	2.4	7.0 - 9.0	7.0 - 9.0
Cu	%	0.6	0.6	0.4	0.4	15 - 18	16 - 19
As	%	0.08	0.08	0.35	0.35	1.9 - 1.6	1.9 - 1.6

shading indicates likely payable metals and red font highlights penalty level of deleterious elements.

Bass has had strong interest for its concentrate products from smelters and metal trading groups. The zinc and lead products are within all standard specifications and are regarded as highly saleable. The copper-precious metals concentrate is a more specialist product for which indicative terms have been presented, despite the elevated arsenic content. The Company is seeking long term concentrate off-take arrangements, possibly linked to a project financing facility.

Costs

Operating and capital costs have been estimated to a bankable feasibility study level.

Capital expenditure on plant, particularly in the underground mine, has been based on the cost of new equipment, though the Company plans to take advantage of the second hand equipment market wherever practical to reduce costs. The working capital component of the capital costs is still to be finalised and will be dependent on the final concentrate off-take terms agreed.

The total pre-production capital cost is estimated at approximately $18 million comprising:

- $8.2 million for decline development and delineation drilling;
- $6.3 million for pre-production capital development; and,
- $3.8 million for mill refurbishment.

Ongoing capital comprises $7.6 million to extend underground development to all of the underground production areas in the following 12 months.

The operating cost estimates are largely generated from first principles utilising a vast database of historic mining and milling costs derived from the former Hellyer operations and other similar mine operations.

Site operating costs, over the current Ore Reserve are estimated to average $118/t of ore milled, comprising:

- $42/t for mine production,
- $36/t for processing;
- $20/t for concentrate haulage and logistics;
- $3/t for site administration and non-allocated costs; and,
- $17/t for State Government and incentive/production royalties.

Financial Evaluation
A financial model to assess the viability and working capital issues of the project has been developed. The metal price and exchange rate assumptions selected essentially reflect "current" rates as presented in Table 6, notwithstanding that metal prices, even on an A$ basis are currently somewhat higher.

Table 6: Commodity price & FX assumptions.

	Units	Price
Zinc	US$/t	1,950
Lead	US$/t	2,100
Copper	US$/t	6,000
Silver	US$/oz	15
Gold	US$/oz	980
AUD:USD		0.87

A breakdown of the financial model outcomes is presented in Table 1 along with a unit-based revenue and cost summary per tonne of ore processed.

The initial mine development, at current metal prices, is estimated to have strong operating margins and is well placed on the world production cost curves at US$0.39/lb of payable zinc after credits.

The revenue mix is dominated by zinc and lead contributing 46% and 31% respectively, with silver, copper and gold contributing 17%, 4% and 2% respectively. This is based on standard industry 2009 Benchmark smelter terms for the lead and zinc concentrates and indicative offers for the copper-precious metals concentrate, which may vary as the Company finalises the concentrate offtake agreements.

Commentary

This update summarises some of the key aspects of the DFS completed by Bass on the mining and processing of its Fossey deposit. The Company regards this as the first development of what it plans will be a long-term mining and processing operation centred on its large modern Hellyer flotation concentrator plant.

The fact that this is in effect a "brown fields" development mitigates many of the typical technical risks associated with a new start-up project. There is a vast amount of knowledge on the mineralisation style, geotechnical and hydrological issues associated with the mining activity. The ore is similar to the Hellyer and Que River ore types which are well understood from a processing perspective, and the proposed flow sheet will be very similar to the former Hellyer flowsheet. Indeed, aside from external risk factors such as metal prices the key risks appear to be related to the execution of the mining and milling plans. That is, achieving a sustained high mine production rate as quickly as possible and commissioning the plant to achieve a stable and sustainable campaign treatment schedule.

Bass is very fortunate to have the support of several key technical and management people who held senior roles operating the Hellyer plant through the 1990's and again in 2008. They have contributed to the DFS report and their input will be critical to a successful commissioning process. To augment this, the new Operations Manager, Mr Brian Burdett, has 45 years mineral processing

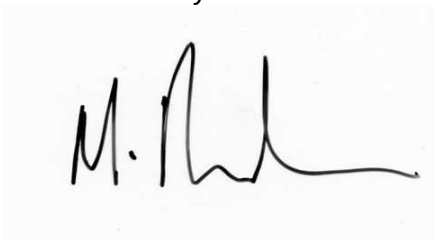
experience with a significant portion of that in Tasmania and he will fill a critical role in co-ordinating the mine and mill implementation programmes safely, on time and on budget.

Fossey is the initial development of the Hellyer Mine project. Testwork and evaluation of other ore sources such as from the Que River and Hellyer deposits is already underway and could add significantly to the overall production profile. A further production enhancement also being investigated is the re-start of the Hellyer Tailings re-treatment project. Given that there will be a significant time window before Fossey ore is available to be treated and the planned campaign processing schedule, there is clearly an opportunity to more fully utilise the plant. Whilst all of the equipment and permits are in place there are significant technical factors which need to be assessed properly before a final decision can be made.

With the DFS study process complete and the report being compiled the focus is now on getting the required financing in place. Subject to final statutory approvals the Bass Board will then be in a position to make a decision on whether to proceed with the project or not. Discussions with a variety of financing groups, including smelters, metal traders and banks is well advanced and the Company will provide further updates as the process progresses.

I recently did an interview with Boardroom Radio which is available to listen too at this link http://www.brr.com.au/event/61761 and provides some further update and background on Bass' current activities.

Yours Sincerely



Mike Rosenstreich
Managing Director

Competent Persons Attribution

This Ore Reserve estimate was prepared by Tim Akerman BSc (Hons) MAusIMM, and Adrian Molinia BE (Hons) FAusIMM. Mr Akerman and Molinia are employees of Mancala Pty Ltd. Mr Molinia has 35 years, and Mr Akerman 25 years experience as professionals in the Australian mining industry, mainly involved in the underground extraction of base metal deposits. Specifically, both were directly involved in the feasibility to and the extraction of the Hellyer deposit as employees of Aberfoyle Limited. They also have extensive experience in the estimation of resources and reserves over a wide variety of deposit styles. As such, Mr Akerman and Mr Molinia both meet the requirements as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (AusIMM/AIG/MCA, 2004), to be Competent Persons for the estimation of Hellyer Mine Project Mineral Resources and Ore Reserves.

Forward-Looking Statements: *This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Bass Metals Ltd's planned development and exploration programmes and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Bass Metals Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.*

16 Thelma Street WEST PERTH WA 6005
PO Box 1330 WEST PERTH WA 6872
Telephone (08) 9322 8044 Facsimile (08) 9481 2846
www.bassmetals.com.au

Attachment 1: Mining Reserve Methodology

Mancala Mining Pty Ltd prepared the Mine Plan, including this Ore Reserve estimate for the feasibility study report. Mancala is Bass' mining alliance partner at the Que River Mine, and the Parties intend to extend the current mining alliance agreement to include mining of Fossey and the Hellyer deposits.

Drilling

The Fossey Mineral Resource is based upon diamond drilling on generally 25 metre centres. Underground delineation drilling will be required prior to finalisation of stope shapes and mining. It is envisaged that diamond drilling on a maximum spacing of 12.5m and 20 m up and down dip will be required, with some closer spaced drilling in areas of geometric complexity.

Ore-Waste Boundaries

Stope limits are generally based on the interpreted ore body/waste contact. In some areas where the grade change is more diffuse (upper boundary with the massive barite), stope limits are defined by a grade cut-off. There are some smaller non-continuous areas of mineralisation and some zones of lower grade and where practicable these have been excluded from the mine design.

The cut-off grade will be re-assessed at the completion of the underground delineation drilling. For this study a combined zinc and lead grade of 4% (with a recovered ore value of approximately $70/tonne) was assumed to be economic and has been used as a marginal cut-off grade. This cut-off is only applied to mineralisation that is adjacent to a planned stope and that fits into a regular mining shape suited to the mining method. In general, most of the mined mineralisation is well above 4% (Pb+Zn), and therefore the cut-off has little effect on the overall mine design and ore reserve.

Dilution/Recovery

Some dilution (<4.0% Pb+Zn) is internal to the ore body and falls within the coherent stope shapes; this is classified as planned dilution. Planned dilution amounts to some 17k tonnes, or some 2% of the total reserve tonnage. In general, the unplanned dilution has been estimated as a 1.0 to 1.5 metre failure envelope, some of which is mineralised. The average grade and waste of this envelope has been calculated by digitising the void surrounding the planned stope into the geological block model.

For the primary stopes unplanned dilution is estimated to average 10%.Where dilution is defined as:

Dilution (%) = (volume of unplanned dilution) x 100/(volume of resource tonnage in stope envelope)

For the pillars the failure envelope surrounding the ore is assumed to be a little more adverse as the mining of the adjacent stope has already had an impact on the rock mass thus the unplanned dilution is estimated to be 15%. In addition, an allowance has been made for dilution from the cemented aggregate fill (CAF) which forms the northern and southern walls of the stopes. This is estimated as a 0.5 metre failure/overbreak of the CAF walls. In total unplanned dilution for the pillars is estimated to 15%.

Dilution grade has been determined by averaging the block model grade within the dilution envelope. Where CAF is the diluents, a zero grade has been applied.

The total unplanned waste rock dilution which is contained within the stope reserve amounts to:

55k tonnes at 0.1% Cu, 0.4% Pb, 0.8% Zn, 33 g/t Ag and 0.9g/t Au at an average density of 3.62

In addition to dilution from stoping activities, development within the resource model has been estimated to attract 5% dilution and a recovery of 95% of the diluted resource volumes. Estimated dilution parameters at Fossey are consistent with the long term averages from Hellyer, where similar stope geometries were adopted and where similar CAF strength was used.

Ore body recovery is estimated to be 95% of the diluted resource volumes as both the stopes and pillars are expected to be stable. The net result is an overall dilution (stope, pillars and development) of approximately 12% waste for an estimated recovery of 95%.

Ore Reserve & Mining Inventory

The resource base underpinning the reserve estimate contains some 8% by mass (60k tonnes), material categorised as Inferred. This material is largely constrained to the periphery of the resource limits. This material has been included in the production schedule as a Mining Inventory.

Table 1. – Mining Inventory and Ore Reserves (as at September 2009)

Category	Volume (m3)	Tonnes (dmt)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)	Au (g/t)	Density
Mining Inventory	16,000	62,000	0.2	3.8	6.2	84	1.9	4.0
Probable (Stope Derived)	172,000	721,000	0.3	5.1	8.8	125	2.4	4.2
Probable (Dev. Derived)	17,000	69,000	0.3	5.2	8.4	101	1.9	4.1
	204,000	**851,000**	**0.3**	**5.0**	**8.6**	**120**	**2.4**	**4.2**

--END--

16 Thelma Street WEST PERTH WA 6005
PO Box 1330 WEST PERTH WA 6872
Telephone (08) 9322 8044 Facsimile (08) 9481 2846
www.bassmetals.com.au