

9 September 2011

## **ASX/MEDIA RELEASE**

### **Bass Metals Reports Positive Hellyer Operating and Exploration Developments**

- **New safety milestones achieved.**
- **Revised Hellyer mine plan on target – July-August cash positive.**
- **Mine dewatering upgrade progressing well and water inflow rate decreasing.**
- **New McKay mineralised zone shows strong similarities to Fossey/Fossey East and further drilling is underway.**
- **Infill program confirms high-grade nature of Fossey East mineralisation.**

Bass Metals Ltd (ASX:**BSM**) ("**Bass**" or the "**Company**") is pleased to provide an update on the recent operating performance at its Hellyer operations in northwest Tasmania, and to report that its mining and milling operations in NW Tasmania are emerging from recent technical set-backs in a positive manner based on the operating outcomes achieved, as well as to report some very encouraging exploration outcomes.

#### **1.0 SAFETY**

In August the Company's operations achieved 365 days without any Lost Time Injuries (LTI) which comes after the Fossey underground mine achieved 500 days LTI free on the 8<sup>th</sup> June 2011. This is a reflection of the commitment from our workforce, towards maintaining a safe working environment and is a tremendous outcome given the adverse water and ground conditions, along with extreme weather events, that the operation has faced recently.

#### **2.0 HELLYER MINE PROJECT (HMP)**

The technical and financial performance of the HMP in July and August indicates a positive outlook for the future. A financial estimate of total HMP costs and sales for the 2 month period indicates the HMP operated on a positive cash basis, albeit modestly, with a \$500k surplus over \$10.8 million of operating, capital, environmental and management costs. Given the significant technical issues managed through this period, it is regarded as an encouraging result and consistent with the Company's new revised mine plans. A technical summary of the recent performance is provided in the following sections.

#### **2.1 Mining**

The details of a revised mine plan were reported to ASX on 20 July, 2011 and the HMP has been operating according to that plan since that time.

Reconciliation between actual milled tonnages and grades and what was predicted from the mine are presented in Table 1, and with variances within +/- 10% for tonnes and metal grades, validates the revised resource model and mine plan.

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**Table 1: Mine to Mill Comparison**

	units	Mine Plan	Actual	% Variance
<b>tonnes</b>	Kt	52.0	52.9	2%
<b>zinc</b>	%	9.2	8.9	-4%
<b>lead</b>	%	5.1	5.6	10%
<b>copper</b>	%	0.45	0.43	-4%
<b>silver</b>	g/t	119	118	-1%
<b>gold</b>	g/t	1.82	1.85	2%

Mining and development is progressing well. Ore is being stoped from the 465 and 445 levels. The dewatering rate has decreased to approximately 140 litres/second and work is continuing on establishing a permanent pumping station at the bottom of the mine with a system capable of handling 300 litres/sec.

The ore stockpile at the mill currently comprises approximately 26kt of ore and is planned to be built up through September to 55kt before the next milling campaign commences.

## 2.2 Milling

The fifth milling campaign commenced on 1 August, 2011 and was completed on 25 August for a total of 52,863 tonnes. Production of zinc, lead and copper-precious metals concentrates is summarised in Table 2.

**Table 2: Mill Production**

	units	Mill Plan	Actual	% Variance
<b>Zinc Concentrate</b>				
tonnes	t	6,486	6,060	-7%
zinc grade	%	51.6	53.2	3%
zinc recovery	%	70	69	-2%
silver grade	g/t	150	169	13
<b>Lead Concentrate</b>				
tonnes	t	2987	2,966	-1%
lead grade	%	57.5	60.7	6
lead recovery	%	65	61	-6%
silver grade	g/t	478	641	34%
gold grade	g/t	2.4	1.2	-51%
<b>Copper Concentrate</b>				
tonnes	t	563	251	-55%
copper grade	%	16.8	19.6	17%
copper recovery	%	40	22	-46%
silver grade	g/t	4,259	6,317	48%
gold grade	g/t	9	19.8	119%
lead grade	%	6.7	8.3	24%

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Key points related to the fifth milling campaign are:

- Mill availability and grind size were all in line or exceeded the mill plan. The start-up was particularly pleasing, with first concentrates being recovered within 70 hours of commencement of processing.
- Zinc and lead concentrate production results were very encouraging with good quality, high-grade concentrates produced. Management considers that there is further scope to improve the lead and zinc recoveries.
- While copper concentrate tonnage was significantly down on plan, payable metal grades were higher than planned and copper recovery is expected to improve in the next campaign. Lower copper recovery was due to adverse affects of several optimisation trials to improve overall copper recovery and attempts to reduce the levels of lead and zinc in the copper concentrate. It was always planned to tackle the copper circuit during this campaign, in the same manner the lead circuit was optimised in the previous campaign. However, the addition of new reagents and further changes significantly destabilised the circuit reducing copper recovery overall. Recoveries are expected to improve in the next campaign with the addition of the copper regrind mill to the circuit and resolution of the reagent regime.

The next milling campaign is scheduled to commence in early October 2011.

## **2.3 Concentrate Sales and Marketing**

Deliveries and sales of lead and zinc concentrate to Nyrstar continued as normal. The first shipment of copper off site took place as planned in August, being 500 dry metric tonnes of copper concentrate.

## **3.0 GOLD RECOVERY STUDY**

The Company is pleased to report that positive preliminary results have been obtained from a major, first stage testwork program associated with the current study concerning the potential recovery of gold, silver and possibly base metals from the refractory Hellyer Tails. A major first stage testwork program to validate and update some of the historical test work (being managed by metallurgical consultancy, BatteryLimits) is nearing completion, after significant delays due to congestion in the testwork laboratories. A summary of the preliminary testwork results for different process methods and different feed stocks tested is presented in Table 3. The feed stock types comprise either "whole" tailings or a bulk concentrate derived from a flotation pre-concentration phase which reduced the mass by 30% and retained 95% of the metal content.

The gold is refractory because it is largely comprised of fine grains encapsulated within sulphide minerals such as pyrite. The process options tested are designed to break down the sulphide minerals to expose the gold to leaching cyanide solutions.

**Table 3: Gold testwork summary of interim results**

Process Option	Feed type	Process steps	S oxid.% <sup>1</sup>	Au rec%	Ag rec%
<b>Direct leach</b>	Tailings	Direct cyanidation	0	5	22
	Tailings	Fine grind-cyanidation	0	9	26
	Bulk conc.	Fine grind-cyanidation	0	32	49
<b>Pressure Oxidation</b>	Tailings	Pressure oxidation-cyanidation	63	84	6
	Tailings	Pressure oxidation-Lime Boil –cyanidation	63	83	tbd <sup>2</sup>
	Tailings	Fine grind-Pressure oxidation-cyanidation	39	41	19
	Bulk conc.	Pressure oxidation-cyanidation	55	50	43
	Bulk conc.	Fine grind-Pressure oxidation-cyanidation	75	46	61
<b>Albion</b>	Bulk conc.	Fine grind-Albion oxidation-cyanidation	82	92	86
<b>LeachOx</b>	Bulk conc.	Fine grind-LeachOx process-cyanidation	32	37	36
<b>Roasting</b>	Bulk conc.	Roasting-cyanidation	68	34	31

1. "S oxid" refers to the degree of sulphide oxidation.

2. "tbd" to be determined – this test work is ongoing.

These results are considered an encouraging indicator of the potential to establish a large scale gold production facility at Hellyer based initially on reprocessing the Hellyer tailings. As Lime Boil is a high capital and operating cost method to recover silver (and gold), further testwork is in progress to optimise the potential silver recovery process prior to undertaking capital and operating cost estimates for all of the process options. The cost estimation phase is the next step toward selecting a single process route for further definitive testwork and engineering studies.

### 3.0 EXPLORATION

Recent exploration activity has focussed on drilling in the Fossey East area and along the Fossey Trend. Both of these programs have been successful with a potential new discovery (McKay Prospect) along the Fossey trend and further high-grade intercepts from Fossey East infill drilling. The Fossey, Fossey East and McKay prospects appear to occur in a stratigraphic position not previously regarded as prospective, which opens up significant new prospective areas requiring a major new exploration focus.

#### 4.1 McKay Prospect

As previously reported on 15 July 2011, Bass Metals intersected 7.0 metres at 22.3% zinc, 9.9% lead 0.7% copper, 181 g/t silver and 3.4 g/t gold in diamond drill hole HLD1030 in a new target area in close proximity to the Fossey and Hellyer deposits, referred to as McKay.

A total of three diamond drill holes into a new zone of alteration and mineralisation have now been completed for 741.4 metres on one east-west drill section. The McKay mineralised zone has been defined over a vertical extent of at least 60 metres, with one central high-grade

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massive base metal sulphide zone. Drilling is now planned to step north and south to delineate the geometry of the zone and define the outline of the high-grade zone already intersected there.

Specifically, drill hole HLD 1031 was targeted 30 metres up dip from the high-grade intersection in HLD1030. This hole intersected a 13.1 metre wide zone of barite from 257.2 – 270.3 metres. The alteration/barite zone includes base metal sulphides at low levels. This intersection confirms continuity of the mineralised zone up dip and is similar to up dip barite intersections at Fossey East. Drill hole HLD1032 intersected strong alteration with minor barite veinlets approximately 30 metres down dip; similar to holes down dip of Fossey East BMS zone (refer Figure 1-Schematic Long-section).

Drilling is continuing to test for along strike extensions and drill hole HLD 1033 is currently at 150 metres.

Exploration work completed to date indicates that a new mineralised zone has been discovered at McKay prospect with strong similarities to Fossey/Fossey East further strengthening the view that the Fossey trend has excellent potential host additional mineralisation. Diamond drilling is continuing on this prospect as a high priority.

## **4.2 Fossey East**

The Fossey East drilling program is designed to infill drill the existing resource outline to 25 metres spaced centres. The final stage of the drilling program is focussed on the lower parts of the Fossey deposit where it merges with Fossey East. Drill results for the infill program completed to date are encouraging and confirm the high-grade nature of the Fossey East mineralisation and the higher copper grades compared to the Fossey zone, such as:

- 4.2 metres at 2.2% Cu, 8.8% Pb, 16.6% Zn, 71 g/t Ag and 0.9 g/t Au (FUD72)
- 2.3 metres at 0.6% Cu, 8 % Pb, 17.7% Zn, 235 g/t Ag and 4.3 g/t Au (FUD69)
- 5.6 metres at 0.7%Cu, 5.4%Pb, 14.8% Zn, 109 g/t Ag and 2.1 g/t Au (FUD66)
- 9.4 metres at 1.1%Cu, 10.3%Pb, 16.4% Zn, 75 g/t Ag and 1.2 g/t Au (FUD81)

The closer spaced drilling has identified a zone of low grade barite occurring centrally to two zones of base metal sulphide mineralisation (Figure 2), that was not evident at the wider 50 metre spaced drilling.

A schematic long section is presented in Figure 3, assay results in Table 4 and drill hole details in Table 5.

## **4.0 CORPORATE**

The Company's shares are currently suspended at the request of the Company pending an update on its fundraising activities.

A General meeting of Shareholders is planned for 26 September, 2011 to seek shareholder approval of various resolutions relating to the recently completed capital raising activities of the Company.

On behalf of the Board and employees I look forward to providing further updates on the Company's plans as well as reporting shortly on the current financing process.

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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.

### 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.

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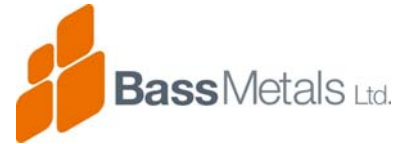
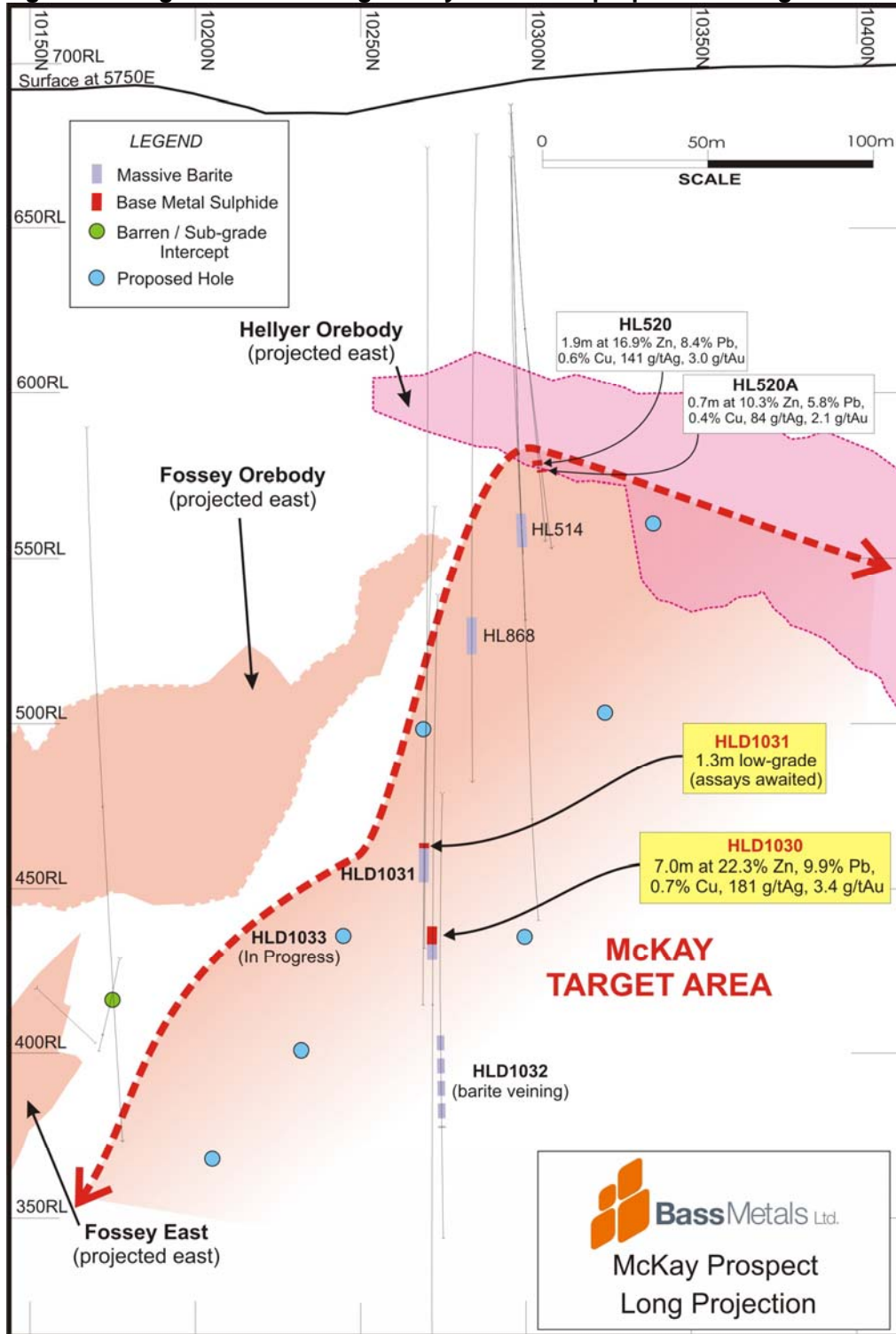


Figure 1: Long section showing McKay actual and proposed drilling.





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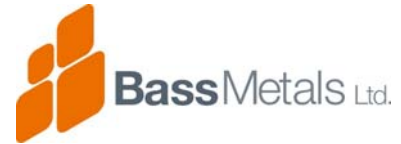


Figure 2: Section 10125mN showing new intersections for FUD0081

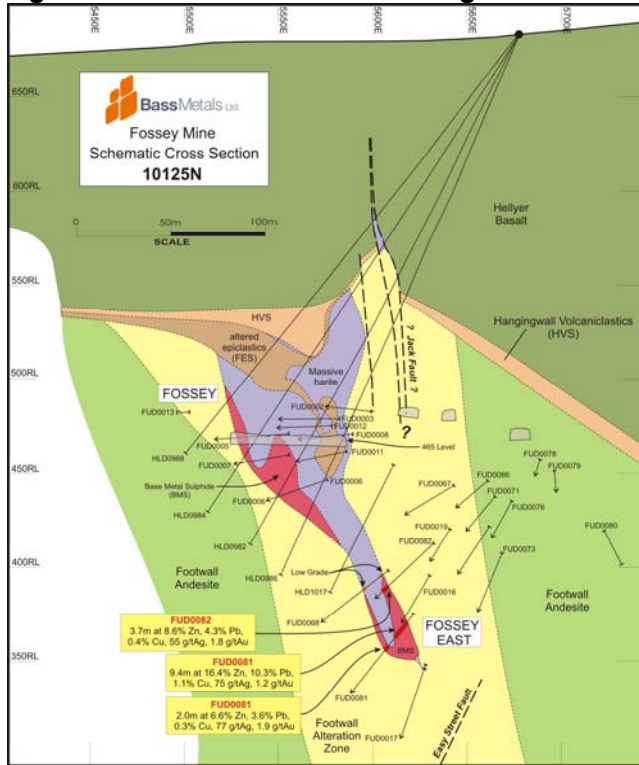
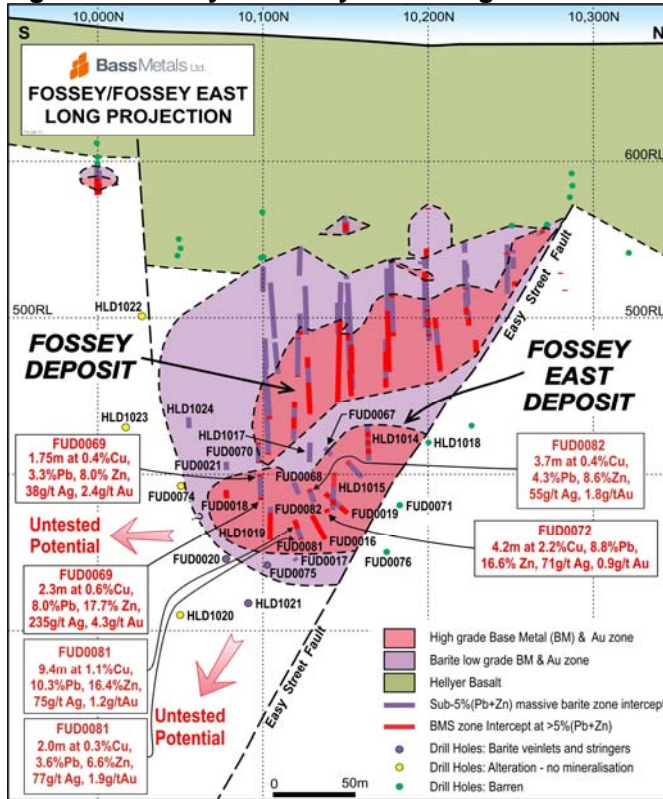


Figure 3: Fossey & Fossey East Long Section

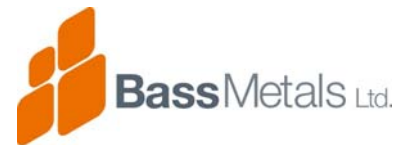




**Table 4 - Drill hole intersections - Fossey East**

From (m)	To (m)	Drilled Interval (m)	True Thickness (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
<b>FUD0066 (at &gt; 5% (Pb+Zn) cut-off)</b>								
113.4	119	5.6	4.9	14.7	5.4	0.7	109	2.1
<i>Within a zone (defined by barite alteration)</i>								
113.4	135.4	22	19.5	4.7	1.7	0.2	45	0.9
<b>FUD0067 (at &gt; 5% (Pb+Zn) cut-off) no significant intercepts</b>								
<i>Within a zone (defined by barite alteration)</i>								
119	130	11	9	0.7	0.3	0.0	19.5	0.7
<b>FUD0068 (at &gt; 5% (Pb+Zn) cut-off) no significant intercepts</b>								
<i>Within a zone (defined by barite alteration)</i>								
120	134	14	13.5	1.1	0.3	0.1	39	1.5
<b>FUD0069 (at &gt; 5% (Pb+Zn) cut-off)</b>								
114.6	116.4	1.75	1.7	8	3.3	0.4	38	2.4
134.2	136.5	2.3	2.3	17.7	8.0	0.6	235	4.3
<i>Within a zone (defined by barite alteration)</i>								
111.6	136.5	24.9	24	3.1	1.2	0.1	49	1.9
<b>FUD0070 (at &gt; 5% (Pb+Zn) cut-off)</b>								
103	106	3	3	9.6	3.0	0.3	39	1.9
<i>Within a zone (defined by barite alteration)</i>								
102	128.9	26.9	26	2.1	0.8	0.1	40	1.0
<b>FUD0072 (at &gt; 5% (Pb+Zn) cut-off)</b>								
120.2	124.4	4.2	4.0	16.6	8.8	2.2	71	0.9
<b>FUD0073 (at &gt; 5% (Pb+Zn) cut-off) no significant intercepts</b>								
<b>FUD0074 (at &gt; 5% (Pb+Zn) cut-off) no significant intercepts</b>								
<b>FUD0075 (at &gt; 5% (Pb+Zn) cut-off) no significant intercepts</b>								
<b>FUD0076 (at &gt; 5% (Pb+Zn) cut-off) no significant intercepts</b>								
<b>FUD0081 (at &gt; 5% (Pb+Zn) cut-off)</b>								
129.6	139.0	9.4	7.2	16.4	10.3	1.1	75	1.2
146.0	148.0	2.0	2.0	6.6	3.6	0.3	77	1.9
<i>Within a zone (defined by barite alteration)</i>								
129.6	149.0	19.4	17.0	8.9	5.5	0.5	51	1.0
<b>FUD0082 (at &gt; 5% (Pb+Zn) cut-off)</b>								
123.3	127.0	3.7	3.6	8.6	4.3	0.4	55	1.8
<i>Within a zone (defined by barite alteration)</i>								
123.3	136.2	12.9	12.5	3.0	1.4	0.1	39	1.1

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**Table 5: Drill hole details:-**

Hole ID	Grid** North	Grid East	Azimuth	Dip	Depth (m)
FUD0066	10095	5694	264	-36	180
FUD0067	10095	5694	294	-30	172
FUD0068	10095	5694	287	-44	162
FUD0069	10095	5694	273	-43	160
FUD0070	10095	5694	273	-34	165
FUD0071	10095	5694	310	-45	181
FUD0072	10095	5694	307	-53	191
FUD0073*	10095	5694	313	-65	121
FUD0074*	10093	5693	245	-42	176
FUD0075*	10094	5694	274	-62	191
FUD0076*	10096	5694	320	-52	206
FUD0081*	10095	5693	287	-54	191
FUD0082*	10095	5693	291	-47	171

\* New result

\*\*-Hellyer Mine grid is orientated at 22.1 degrees to AMG