

## BASS METALS SIGNS KEY QUE RIVER OFF-TAKE AGREEMENT WITH ZINIFEX

- **Heads of Agreement for ore sales agreement signed with Zinifex Limited for Stage 1 Que River base metal project.**
- **Agreement expected to underpin commencement of mining this year, subject to completion of ore trial and a \$100,000 pre-payment by Zinifex**
- **Signals a departure from planned off-take agreement with Hellyer Zinc Concentrate JV due to changed operating parameters of the Hellyer plant.**
- **Bass Metals to pursue other processing and development opportunities in the region with Hellyer Zinc Concentrate JV.**

Base metals company Bass Metals Ltd (ASX: **BSM**) has broadened its development and ore processing footprint in north-west Tasmania after signing a key conditional off-take agreement with leading Australian base metals producer Zinifex Limited (ASX: **ZFX**) for ore from the first stage of its 100%-owned **Que River Base Metal Project**. The agreement will underpin Bass Metals' transition to production during 2007.

The Heads of Agreement (HOA), between Bass Metals and Zinifex Australia Limited, relates to the terms and conditions of an Ore Sales & Purchase Agreement under which ore mined by Bass Metals at Que River will be trucked to Zinifex's Rosebery plant for processing.

The agreement represents a departure from an anticipated off-take agreement with the Hellyer Zinc Concentrate Joint Venture (Intec Limited and PolyMetals Group Limited), which envisaged that Que River ore would be treated through the Hellyer concentrator plant, located 4km from Que River.

Bass Metals' Managing Director, Mr Mike Rosenstreich, said that, while the recently completed trial mining and processing program at Que River was successful, it highlighted the impact of significant changes to the operating parameters of the Hellyer plant from what was originally anticipated last year. The Hellyer plant is currently reprocessing tailings remaining from the mining and processing of the Hellyer deposit from 1987 to 2000 in order to produce a bulk zinc/lead/silver concentrate. However, the Hellyer plant is not configured to recover gold and copper values also available from the Que River ore. Thus, the Hellyer Zinc Concentrate Joint Venture is not in a position to make payment based on the full value of the contained metals in the Que River ore, relative to the Hellyer tailings that are already freely available to it.

"Zinifex approached Bass Metals earlier this year exploring ore purchase opportunities to support utilisation of additional capacity available at the Rosebery Mill.

"This resulted in an ore off-take proposal with favourable terms to Bass Metals that is consistent with our previous revenue targets, generates improved margins and, significantly, will generate payments for all five contained metals – zinc, lead, copper, silver and gold," he continued.

"It is important to understand that in terms of technical risks the Que River ore has closer affinity to the Rosebery ore than the finely ground tailings feedstock at the Hellyer Plant – as demonstrated by the fact that the Rosebery plant treated approximately 2.4 million tonnes of Que River ore between 1978 and 1991."

Mr Rosenstreich said "the Zinifex offer was clearly the best offer in terms of financial returns and technical risks and is therefore to the best advantage of all shareholders."

"The conclusion of this agreement certainly does not preclude us pursuing future opportunities with the Hellyer Zinc Concentrate Joint Venture with respect to a number of other deposits and targets within our portfolio, including the Mt Charter gold deposit, the decommissioned Hellyer lead-zinc silver mine, the historic Magnet lead-zinc-silver mine and the Iris prospect."

The ore off-take agreement complements Bass Metals' existing Hellyer Exploration Alliance with Zinifex, where the parties have been co-funding a \$2.0 million drilling program since August 2005 targeting the discovery of new Hellyer-style deposits. "We look forward to developing a long-term relationship with Zinifex for the shallow resources at Que River and other resources closer to Rosebery," he said.

The off-take agreement with Zinifex is subject to completion of a 1,000 tonne mining trial to verify metallurgical assumptions, managing logistical issues such as ore haulage, and a \$100,000 pre-payment from Zinifex to Bass Metals. The ore trial is expected to start within the next week.

Mr Rosenstreich said the Company was focused on expediting the ore trial and finalising ore haulage and other mining related contracts prior to making a final decision to mine. "Both parties are keen and motivated to commence operations as soon as practicable" he added.

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#### **Profile – Bass Metals Ltd**

Bass Metals Ltd (ASX: BSM) is a diversified Australian base metals and gold company focused on the exploration, evaluation and rapid development of a quality portfolio of mineral assets in north-west Tasmania, backed by alliances with zinc producer Zinifex Limited and TSX-V listed Geoinformatics Exploration Inc.

Bass Metals is set to become a new Australian zinc producer through the commencement of production from the 100%-owned Que River project in a mining alliance with Mancala Pty Ltd. Ongoing drilling has indicated substantial potential to define further high-grade reserves, from the current resource of approximately 550,000 tonnes with grades of up to 25% zinc, 10% lead, 13oz/t silver and 11g/t gold. A binding Ore sales & Purchase Agreement has recently been signed with Zinifex Limited operator of the nearby Rosebery flotation plant. The rapid start-up of production at Que River will enable Bass Metals to take advantage of current strong zinc prices.

In February 2007, Bass Metals launched a major new exploration initiative targeting newly identified high-grade copper and zinc targets surrounding the world-class Hellyer Mine in north-west Tasmania. Hellyer has a published pre-mining Mineral Resource of 16.9 million tonnes grading 13.8% zinc, 7.2% lead, 0.4% copper, 167g/t silver and 2.5g/t gold. With the start-up of production at Que River, this Hellyer Mine Project initiative is designed to underpin the rapid development of a 'pipeline' of production and near-production opportunities within this prolific mineral belt.

Reflecting the intense and diverse ore deposits occurring in the NW of Tasmania the Company also has the Mt Charter gold-silver project, which has an initial resource of 380,000 gold-equivalent ounces with several other drill-indicated gold targets on its large tenement holding. Accentuating that diversity of mineralisation Bass Metals has also recently commenced nickel and PGM exploration on its Heazlewood tenement which has small scale historic nickel and PGM mine workings.

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