

23 June 2009

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

Dear Sir

Hellyer Mine Lease Transfer & Tails Resource Update

Bass Metals Ltd (ASX:BSM) is pleased to provide the following update on the Company's acquisition of the Hellyer mill, associated infrastructure and Hellyer Mine Lease located in NW Tasmania.

Key Points

1. Ministerial consent has been granted for the transfer of the Hellyer Mine lease from Intec Ltd to Bass Metals' subsidiary, Hellyer Mill Operations Pty Ltd.
2. Estimate of the Hellyer Tails Mineral Resource, part of the Hellyer acquisition has been updated to:

JORC classification	Tonnes (m)	lead %	zinc %	copper %	silver g/t	gold g/t
Measured	4.9	3.1	2.8	0.2	105	2.7
Indicated	2.5	3.0	2.6	0.2	104	2.6
Inferred	2.1	2.9	1.7	0.2	103	2.4
Total	9.5	2.8	2.5	0.2	104	2.6

Note rounding errors will occur.

Contained metal comprises:

lead kt	zinc kt	copper kt	silver Moz	gold Moz
290	240	20	32	0.8

Note rounding errors will occur.

Introduction

On 11 December 2008, BSM announced that it had signed a binding agreement to purchase from Intec Ltd (ASX:INL) the Hellyer processing plant, associated infrastructure and the Hellyer Mining lease for \$4.0 million plus a Processing Royalty of \$2.50/tonne ore processed, capped at \$5.0 million.

The assets acquired include:

- the 1.5mtpa crushing, grinding, flotation concentrator plant currently on care and maintenance, all associated supporting infrastructure including grid power, storage sheds, spares inventory, warehouses, water treatment facilities and railway line access.

- The Hellyer Mine Lease (CML103/1987), which Bass Metals already held a sublease over giving it the mineral rights.
- The Hellyer tails resource as described below
- A cutter suction dredge and spares recently utilised to reclaim tailings to produce a bulk lead-zinc concentrate (which was suspended in September 2008).

Settlement of the acquisition occurred in March 2009, with BSM paying the remainder of the \$4.0 million cash payment into a solicitor's trust account pending final completion, at which time it will be paid to Macquarie Bank Limited, Intec's secured lender. Final completion of the purchase occurs on receipt of Ministerial approval for the transfer of the Mining Lease and extension of the Mining Lease for 21 years.

Ministerial Consent and Extension of the Mining Lease

Bass Metals has now received written advice that the application to transfer the Hellyer Mine Lease from Intec Hellyer Metals Pty Ltd to Hellyer Mill Operations Pty Ltd (a 100% owned subsidiary of Bass Metals) has been approved by the Minister. Extension of the Mining Lease is pending submission of the Hellyer Mine Project development and environmental management plan, which is scheduled to occur in July, 2009.

Hellyer Tails Mineral Resource Update

Transfer of the Mine Lease includes the ownership of the Hellyer tails storage facility and mineral resource. A revised Mineral Resource estimate is required to form the basis of further assessments of re-treatment options.

AMC Consultants Pty. Ltd. (AMC) was appointed to undertake a review of the historic drilling, production and survey data to revise its Hellyer Tails Mineral Resource estimate of 2005 accounting for the recent tails re-treatment operation. This operation reclaimed tailings from the main Hellyer tails dam using a dredge for reprocessing in the Hellyer Mill to produce a bulk lead-zinc concentrate for approximately 18 months until September 2008,(refer Figure 1). Figure 2 illustrates the location of the Hellyer tails storage facility and other site infrastructure.

The revised Mineral Resource, reported in accordance with the JORC Code is presented in Table 1 below. A more detailed breakdown of the Mineral Resource classified as Inferred is provided in Table 2; much of this material represents the reprocessed tailings which were deposited into new sites (Shale Pit Dam & Western Arm), with less well defined survey control.

Table 1: Hellyer Tails Mineral Resource Estimate, June 2009

JORC classification	Tonnes (m)	lead %	zinc %	copper %	silver g/t	gold g/t	Density g/cm ³
Measured	4.9	3.1	2.8	0.2	104.9	2.7	1.93
Indicated	2.5	3.0	2.6	0.2	103.9	2.6	1.93
Inferred	2.1	2.9	1.7	0.2	102.9	2.4	1.74
Total	9.5	2.8	2.5	0.2	104.0	2.6	1.89

Reference: Model MDHL1AOK - 2000 Drillhole Data only, 2009 tailings surface survey constrained

The figures in the tables have been estimated using the drillhole data collected in 2000. An empty block volume model was created using the original pre-deposition topography and tailings surfaces for 1998, 2000 and 2009. Grade was estimated into the empty blocks by ordinary kriging, using the 2000 drillhole data only (as with the 2005 resource estimate).

Table 2: Inferred Material by location

Location	Tonnes (m)	lead %	zinc %	copper %	silver g/t	gold g/t	Density g/cm ³
Main Dam Area	0.7	3.0	2.7	0.2	104.4	2.74	1.93
Shale Pit	1.0	2.8	1.2	0.2	102.2	2.23	1.64
Western Arm Dam Area	0.4	2.8	1.2	0.2	102.2	2.23	1.64
Total Inferred	2.1	2.9	1.7	0.2	102.9	2.40	1.74

The material mined by Intec Hellyer Metals Pty Ltd. between 2007 and 2008 was treated to produce 89,700 tonnes of concentrate, with the tailings from this process re-deposited in the Shale Pit and the Western Arm Dam area. According to the GHD Pty Ltd. (GHD) report, this re-treated tailings material would have a bulk density of approximately 15% less than the original tailings material. Thus AMC has assigned a bulk density of 1.64 g/cm³ to this material.

Gold grades in the re-treated tailings material have been set at 2.23 g/t as advised by Bass Metals based on production records from the tails re-treatment project.

Commentary

Bass Metals has initiated several programmes to review the potential mining and processing opportunities for this mineral resource including:

1. Update of the Mineral Resource estimate;
2. Review of operating cost model to retreat the tailing to produce a bulk lead-zinc concentrate and possible off-take terms; and
3. Metallurgical testwork on tailings sample to test the concept of producing a separate gold-sulphide concentrate as part of a bulk concentrate process flow sheet.

The Mineral Resource estimate highlights a large inventory of base and precious metals. Bass Metals is interested to evaluate the potential reprocessing of the tails as a value enhancing "side project" to the main focus of developing the Hellyer Mine Project.

Retreatment of the tails was successfully achieved on a technical basis between November 2007 and September 2008 with recorded production of approximately 90kt of a bulk lead-zinc concentrate. All of the equipment required to restart this operation is on site and owned by Bass including the cutter suction dredge.

Several commercial factors converge to determine the viability of restarting this project, namely; metal prices, operating costs and the global market for bulk lead-zinc concentrates. Bass Metals notes the current improved lead and zinc prices and the improving metal price outlooks emanating from a variety of respected industry analysts and continues to liaise with potential off-take parties for possible sales contracts.

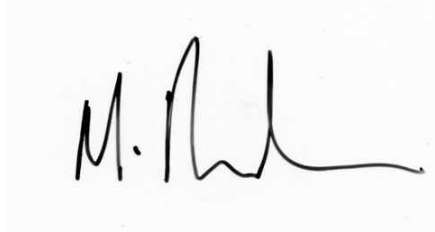
Bass Metals continues to investigate various potential enhancements to the tailings re-treatment project including the possible recovery of a gold-sulphide concentrate. Metallurgical testwork is currently underway examining selective recovery of gold bearing arsenopyrite minerals from the largely pyritic tails. This has not been tested previously at Hellyer and the work is in progress. With an insitu endowment of 800,000 ounces contained gold, recovery of even a modest portion into a saleable product could significantly enhance an overall tails retreatment programme.

The Company's main focus is the completion of the Hellyer Mine project Feasibility study, now expected in July 2009. An important component of this is the ability to utilise the newly acquired Hellyer Mill to process its ore, albeit at significantly reduced throughput rates-based on

the proposed mine production. Therefore co-treatment of Hellyer tails, on a campaign basis is regarded as a high priority opportunity to fully utilise the Hellyer Mill with cost benefits flowing to both projects.

I look forward to reporting further on the Company's progress and outcomes on these issues.

Yours Sincerely



Mike Rosenstreich
Managing Director

JORC COMPLIANCE STATEMENT

The information in this report that relates to Mineral Resources is based on information compiled by John Tyrrell who is a full-time employee of AMC Consultants Pty Limited and a Member of the Australasian Institute of Mining and Metallurgy. John Tyrrell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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)". John Tyrrell consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Figure 1: "The BSM Crew" aboard the cutter suction dredge on care & maintenance on the Hellyer TSF.



Figure 2: Hellyer location plan showing location of Hellyer Tails Storage facility (TSF).

