

28 October 2010

## Bass commences \$1.7M gold processing feasibility study.

- Potential to add 40,000-110,000 oz of gold (equivalent) production to annual Hellyer output.

Polymetallic producer, Bass Metals Ltd (ASX:BSM) ("Bass" or "the Company") is pleased to announce it has commenced a \$1.7 million definitive feasibility study (DFS) on further gold production, with the potential to add significantly to its Hellyer revenues following-on from its recent positive gold recovery scoping study results. The Company is targeting production of 110,000 ounces of gold equivalent (*based on a 1:70 gold silver ratio*) production per year with a conservative base case position of 40,000 ounces of gold equivalent per annum. The scoping study, which identified 3 operating scenarios, indicates a potential annual operating surplus range of between \$25 to \$55 million per year subject to the process route selected at current gold and silver price levels and the viability of these process routes.

The Company's confidence to commit to this significant study programme is based on several fundamental aspects:

1. **Realistic metallurgical assumptions:** the production forecasts (refer table 1) are based largely on detailed testwork undertaken mainly in the 1990's, much of it to feasibility study levels.
2. **Record gold and silver prices:** the gold price is approximately 3-4 times higher than in the late 1990's.
3. **Technological advances:** over the past 10-15 years there have been important technical advances in gold recovery and engineering technologies.
4. **Accessible existing resource:** Bass owns the 1.7 million ounces of contained gold equivalent in Mineral Resources, reported in accordance with the JORC Code 2004, (refer Table 2 & 3) that would initially underpin this production. The most substantive resource being the Hellyer Tailings; an "above ground" resource with a gold equivalent grade of 4.1 g/t; providing the basis of the scoping study figures in Table 1.

The DFS is expected to take 12 to 18 months to complete to a level considered "bankable". It will comprise all the elements typical of this type of study including: resource modelling, reserves, mining, metallurgical optimisation, piloting, process engineering, plant engineering, estimates of capital and operating costs, financial evaluation, environmental planning and ultimately implementation and operating plans.

Bass has already commenced the process of collecting approximately 2 tonnes of tailings material for the metallurgical testwork which is planned to commence in November, 2010. As well, Bass has applied for Exploration Licences covering nearby potential limestone resources which will be evaluated as a source of important neutralising reagent, which is currently considered to be supplied from commercial sources within Tasmania and represents a significant operating cost in all three operating scenarios.

The study will be managed by Bass with metallurgical testwork and piloting being supervised by BatteryLimits Pty Ltd and initial engineering by Como Engineers Pty Ltd.

Mike Rosenstreich, Bass' Managing Director commented that "our targets for gold may appear aggressive but a possible production scenario of between; 40,000 to 110,000 ounces gold equivalent a year would provide a very profitable addition to our Hellyer revenues. The technical, resource and processing assumptions are well founded and with possible base metals credits not currently factored in, this is clearly a project that warrants significant funding and attention from Bass, now that we have the people to drive the project."

"This Project represents an important part of our strategy of pursuing organic and transactional growth opportunities to add additional profit streams to the Hellyer operations," Mr Rosenstreich added.

**Table 1: Summary of Scoping Study Results (July 2010)**

|                                                         |         | Direct Cyanidation |       | Albion Process |       | Pressure Oxidation |       |
|---------------------------------------------------------|---------|--------------------|-------|----------------|-------|--------------------|-------|
|                                                         | Units   | Au                 | Ag    | Au             | Ag    | Au                 | Ag    |
| Feed grade                                              | g/t     | 2.6                | 104   | 2.6            | 104   | 2.6                | 104   |
| Total Recovery                                          | %       | 25                 | 40    | 86             | 82    | 37                 | 65    |
| Metal recovered                                         | koz/pa  | 20.8               | 1,338 | 71.6           | 2,742 | 30.8               | 2,174 |
| Gold (eq) production <sup>1 to 3</sup>                  | koz     | 40.2               |       | 111.4          |       | 62.3               |       |
| Estimated total site operating costs <sup>4&amp;5</sup> | A\$/oz. | 743                |       | 877            |       | 694                |       |
| Operating margin                                        | %       | 46                 |       | 36             |       | 50                 |       |
| Capital Cost                                            | A\$M    | 49.4               |       | 143.2          |       | 116.6              |       |

**Note:** Gold price assumption is A\$1,370 per ounce and the gold to silver ratio for equivalence calculation is 70:1 and is based only on recovered gold and silver, no base metal credits.

**Table 2: Hellyer Tails Combined Mineral Resource Estimate, at a 0 g/t Au cut-off – 23 June 2009**

| JORC Classification | Tonnes mt  | Copper (%) | Lead (%)   | Zinc (%)   | Silver (g/t) | Gold (g/t) | Gold (Eq)* |
|---------------------|------------|------------|------------|------------|--------------|------------|------------|
| Measured            | 4.9        | 0.2        | 3.1        | 2.8        | 105          | 2.7        | 4.2        |
| Indicated           | 2.5        | 0.2        | 3.0        | 2.6        | 104          | 2.6        | 4.1        |
| Inferred            | 2.1        | 0.2        | 2.9        | 1.7        | 103          | 2.4        | 3.9        |
| <b>Total</b>        | <b>9.5</b> | <b>0.2</b> | <b>2.8</b> | <b>2.5</b> | <b>104</b>   | <b>2.6</b> | <b>4.1</b> |

**\*Gold (Eq)** is gold equivalence based on only gold and silver at a 1:70 ratio

**Note:** The tailings are contained in a purpose built impoundment and stored submerged beneath water to prevent environmental degradation through acid mine drainage.

**Table 3: Summary of Mt Charter Mineral Resource at a 0.7 g/t Au cut-off - 30 October 2006**

| JORC Classification | Tonnes mt  | Gold (g/t)  | Silver (g/t) | Zinc (%)   | Gold koz   | Silver koz   | Gold (Eq)*  |
|---------------------|------------|-------------|--------------|------------|------------|--------------|-------------|
| Indicated           | 1.9        | 1.21        | 36.3         | 0.7        | 74         | 2,218        | 1.73        |
| Inferred            | 4.2        | 1.22        | 35.2         | 0.4        | 165        | 4,754        | 1.72        |
| <b>TOTAL</b>        | <b>6.1</b> | <b>1.22</b> | <b>35.5</b>  | <b>0.5</b> | <b>239</b> | <b>6,972</b> | <b>1.73</b> |

**\*Gold (Eq)** is gold equivalence based on only gold and silver at a 1:70 ratio

**Note:** At Mt Charter a large tonnage low grade gold-silver Mineral Resource has been delineated. The Mineral Resource is reported above a 0.7 g/t cut-off within the mineralised envelope boundary.

## Competent Persons Statement

The information in this report that relates to the Mt Charter Mineral Resource is based on information compiled by Mr Michael Andrew who is a full-time employee of Snowden Mining Industry Consultants and a Member of the Australasian Institute of Mining and Metallurgy. Mr Andrew has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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)". Mr Andrew consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

## Competent Persons Statement (Cont.)

The information in this report that relates to the Hellyer Tails Mineral Resource estimate is based on information compiled by Mr John Tyrrell who is a full-time employee of AMC Consultants Pty Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr 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)". Mr Tyrrell consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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## About Bass Metals Ltd (ASX: BSM)

Bass Metals Ltd is a growth focussed and profitable Australian base and precious metal producer with a portfolio of high quality zinc, lead, copper and gold assets in the rich Mount Read Volcanic mineral belt in northwest Tasmania.

Listing in 2005, Bass delivered its maiden profit in 2008 from its profitable base metals production hub at Que River in Tasmania, which has generated \$25 million in cash flow over the last two years.

The Company's larger transformational Hellyer Mine Project is on track to commence production toward the end of 2010. With an initial through-put rate of 400,000 tonnes per annum (tpa), the 1.5 million tpa capacity Hellyer Mill will produce 53,000 tpa of zinc concentrate, 27,000 tpa of lead concentrates and 4,500 tpa of copper—silver-gold concentrates.

The Company also has an active and successful exploration programme and is currently following up on recent discoveries at Switchback and Fossey East which are high-grade and located in close proximity to existing mine and milling infrastructure.

Bass has an experienced Board and operating team who have a strong track record of delivering profitable production underpinned by exploration success and are highly motivated to improve on that record.