



ACN 109 933 995

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT
TO SHAREHOLDERS**

**NOTICE IS INCLUDED FOR
THE GENERAL MEETING OF SHAREHOLDERS
TO BE HELD AT
9.00AM ON MONDAY, 31 OCTOBER 2011
AT THE OFFICES OF BASS METALS LTD,
LEVEL 1, 91 HAVELOCK STREET, WEST PERTH**

IMPORTANT INFORMATION

This is an important document that should be read in its entirety.
If you do not understand it, or any part of it,
you should consult with your professional advisers without delay.

**You are encouraged to attend the meeting, but if you cannot, you are requested to
complete and return the enclosed Proxy Form without delay to**

**Bass Metals Ltd at
Level 1, 91 Havelock Street, West Perth WA 6005
or by mail to PO Box 1330, West Perth WA 6872
or by facsimile on facsimile number (+61 8) 9481 2846**



ACN 109 933 995

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of Bass Metals Ltd ("Bass Metals" or "the Company") will be held as follows:

TIME: 9.00am

DATE: Monday, 31 October 2011

LOCATION: The Offices of Bass Metals Ltd
Level 1, 91 Havelock Street, West Perth

**This is an important document that should be read in its entirety.
If you do not understand it, you should consult with your professional advisers without delay.**

**If you wish to discuss any aspects of this document with the Company, please contact
Mr. Michael Rosenstreich, Managing Director, or Ms. Susan Hunter, Company Secretary,
of Bass Metals Ltd on +61 8 6315 1300.**

Words and phrases used in the Resolution are defined in Section 4 of the accompanying Explanatory Statement and these words and phrases have the same meaning in this Notice of General Meeting as defined in the Explanatory Statement.

BUSINESS

RESOLUTION 1: APPROVAL FOR LENDER OPTIONS ISSUE

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purposes of Listing Rule 7.1 and for all other purposes, approval be given to issue up to 86.7 million Lender Options at no cost to RMB Australia Holdings Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement."

Short Explanation: As a condition of the credit approved offer from RMB Australia Holdings Limited to extend the Company's corporate loan facility, the Company is required to issue up to 86.7 million Lender Options to RMB Australia Holdings Limited (or its nominee). The Directors seek Shareholder approval to issue up to 86.7 million Lender Options to RMB Australia Holdings Limited (or its nominee), on the terms and conditions set out in the Explanatory Statement.

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

VOTING EXCLUSIONS

Where a voting exclusion applies to a Resolution under the Listing Rules, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPLANATORY STATEMENT

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of General Meeting for further explanation of the Resolution.

PROXIES

Members are encouraged to attend the meeting, but if you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has the right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of the General Meeting as soon as possible and either:

- send the Proxy Form by facsimile to the Company on +61 8 9481 2846;
- post the Proxy Form to the Company at PO Box 1330, West Perth WA 6872; or
- deliver the Proxy Form to the registered office of the Company at Level 1, 91 Havelock Street, West Perth 6005.

To be effective, a Proxy Form and, if the Proxy Form is signed by the shareholder's attorney, the authority under which the appointment is signed (or a certified copy of that authority) must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.

Effect of recent amendments to the Corporations Act on proxy voting

Shareholders and their proxies should be aware that new sections 250BB and 250BC of the Corporations Act took effect on 1 August 2011 and apply to voting by proxy on or after that date. Broadly, the changes mean that if proxy holders vote, they must cast all directed proxies as directed; and any directed proxies that are not voted will automatically default to the chairperson of the meeting, who must vote the proxies as directed. More detail on these recent changes is provided below.

Proxy vote if appointment specifies way to vote

Section 250BB provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the chairperson of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chairperson of the meeting – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chairperson proxy to chairperson in certain circumstances

Section 250BC provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - if a record of attendance is made for the meeting - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,the chairperson of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

CORPORATE REPRESENTATIVES

A body corporate that is a shareholder, or which has been appointed as proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

DATE FOR DETERMINING HOLDERS OF SHARES

For the purposes of regulation 7.11.37 of the Corporations Act, the Directors have set 9.00am WST on 29 October 2011 as the time and date to determine who are the Shareholders in the Company for the purposes of the General Meeting. Accordingly share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Dated this 23 September 2011

By order of the Board



Susan Hunter
Company Secretary



ACN 109 933 995

EXPLANATORY STATEMENT TO SHAREHOLDERS

1. ACTION TO BE TAKEN BY SHAREHOLDERS

This Explanatory Statement sets out information about the Resolution to be considered by the Shareholders at the General Meeting. Defined terms used in this Statement are set out in Section 4. Accompanying this Statement is the Notice of General Meeting convening the General Meeting and a Proxy Form.

Shareholders are encouraged to attend and vote on the Resolution to be put to the General Meeting. If a Shareholder is not able to attend and vote at the General Meeting, the Shareholder may complete the Proxy Form and return it to the registered office of the Company at the address which appears on the Notice of Meeting not later than 48 hours before the time specified for the commencement of the General Meeting.

2. PURPOSE OF THE GENERAL MEETING

The General Meeting has been convened for the purpose of considering the Resolution, which are set out in the Notice of General Meeting and explained in more detail below.

3. RESOLUTION

3.1. Resolution 1: Approval for Lender Options Issue

RMB Australia is Bass Metals' corporate lender and the Company's current bank facilities with RMB Australia comprise: a project loan facility, a corporate loan facility, a loan reflecting prepayment of a silver hedge position and a commodity/currency hedging facility.

Bass Metals has received a credit approved offer from RMB Australia to extend the corporate loan facility, by increasing the limit by \$13 million, from the existing \$4 million to \$17 million and the term to 30 June 2014. The purpose of the increased funding is to:

- increase development expenditures at the Hellyer Mine Project;
- meet the scheduled obligations arising and due under the existing project, corporate and hedging facilities on 30 September 2011;
- funding of the debt service reserve account; and
- fund general working capital requirements.

The conditions precedent to initial drawdown of the first \$9 million of the \$13 million increase to the corporate loan facility include, but are not limited to:

- provision of executed loan and security documentation (registered as necessary);
- compliance with certain lending ratios as calculated by RMB Australia's financial models;
- technical and legal due diligence to the satisfaction of RMB Australia; and
- all fees and any reimbursements payable to RMB Australia have been paid in full.

The conditions precedent to the subsequent drawdown of the remaining \$4 million of the corporate loan facility include, but are not limited to:

- receipt by Bass Metals of binding commitments to raise at least \$8 million of new equity by 31 October 2011 (the price per Share at which this new equity is raised is the "**Equity Raising Price**");
- compliance with certain lending ratios as calculated by RMB Australia's financial models; and
- RMB Australia's satisfaction with the performance of the Hellyer Mine Project.

Pursuant to the terms of the extension of the corporate loan facility, Bass Metals is required to issue up to 86.7 million Lender Options to RMB Australia (or its nominee). The Company must, subject to the Shareholder approval sought in this Resolution 1, issue 21,700,000 Lender Options to RMB Australia (or its nominee) as soon as practicable after Shareholder approval is gained. In addition, the Company must issue, subject to Shareholder approval sought in this Resolution 1, 5,000,000 Lender Options to RMB Australia (or its nominee) in respect of each amount of \$1,000,000 drawn under the corporate loan facility up to a maximum of 65,000,000 Lender Options for the \$13 million increased limit. Therefore, if the \$13 million extension to the corporate loan facility is fully drawn by the Company, Bass Metals will be required, subject to Shareholder approval, to issue 86.7 million Lender Options to RMB Australia (or its nominee).

The Lender Options will have a term of three years from the date of issue and have an exercise price that is the lesser of: (a) 20 cents per share or (b) a 20% premium to the price of the Equity Raising Price. The final exercise price of the Lender Options will be announced to ASX prior to the 31 October 2011 General Meeting of Shareholders. The full terms and conditions of the Lender Options are attached as Annexure A.

The issue of the Lender Options is subject to Shareholder approval being received by 31 October 2011. In the event that Shareholders do not approve the issue of the Lender Options then Bass Metals will be required to, subject to any necessary Shareholder approval, issue RMB Australia 0.45 Shares for every one Lender's Option due but not approved, at no cost (being 39,015,000 Shares on the assumption that the \$13 million is fully drawn). If the Shares to be issued in lieu of Lender's Options are not issued by 30 November 2011, that shall be an event of default under the corporate loan facility and all amounts will become payable on demand.

Resolution 1 seeks Shareholder approval for the purposes of Listing Rule 7.1 to issue up to 86.7 million Lender Options to RMB Australia (or its nominee). Listing Rule 7.1 prohibits a listed company from issuing securities representing more than 15% of its issued capital in any 12 month period without prior shareholder approval (subject to certain exceptions). By obtaining Shareholder approval for the issue of the Lender Options to RMB Australia (or its nominee), the Lender Options will not be counted in the Company's 15% limit.

In accordance with Listing Rule 7.3 the following information is provided in relation to Resolution 1 to assist Shareholders decide whether or not to vote in favour of Resolution 1:

Maximum Number: The maximum number of Lender Options to be issued by the Company in relation to Resolution 1 is 86.7 million.

Date of Issue/Allotment: The Lender Options will be issued no later than 3 months after the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. The Lender Options will be allotted and issued progressively.

Issue Price: The Lender Options are to be issued in consideration, and pursuant to the terms of, a credit approved offer from RMB Australia to extend the corporate loan facility, by increasing the limit by \$13 million, from the existing \$4 million to \$17 million and the term to 30 June 2014. However, no further amount is payable in respect of the Lender Options.

Allottees: The Lender Options will be issued to RMB Australia (or its nominee). RMB Australia (or its nominee) is not a Related Party of the Company.

Terms: The Lender Options will have a term of three years from the date of issue and have a strike price that is the lesser of: (a) 20 cents per share or (b) a 20% premium to the price of the Equity Raising Price. The full terms and conditions of the Lender Options are attached as Annexure A.

Intended Use of Funds: No funds will be raised through the issue of the Lender Options.

The Directors recommend that the Shareholders vote in favour of Resolution 1.

4. DEFINITIONS

In this Explanatory Statement:

Associate has the meaning set out in sections 11 to 17 of the Corporations Act.

ASX means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

Board means the Board of Directors of the Company.

Business Day means a day which is not a Saturday, Sunday or public holiday in Western Australia.

Company or **Bass Metals** means Bass Metals Ltd, ACN 109 933 995.

Corporations Act means the Corporations Act 2001 (Cth).

Director means a director of the Company.

Equity Raising Price means the price per Share of binding commitments received by Bass Metals to raise at least \$8 million of new equity by 31 October 2011.

Explanatory Statement means the explanatory statement accompanying the Notice of General Meeting.

General Meeting means the meeting of the Shareholders convened for the purposes of considering the Resolution contained in the Notice of General Meeting.

Lender Options means the Options to be issued to RMB Australia pursuant to Resolution 1 in consideration of and pursuant to the terms of the extension of the corporate loan facility subject to the terms and conditions in Annexure A.

Listing Rules mean the Listing Rules of the ASX.

Notice of General Meeting means the notice convening the General Meeting accompanying this Explanatory Statement.

Proxy Form means the form of proxy accompanying this Notice of General Meeting.

Related Party means a party so defined by section 228 of the Corporations Act.

Resolution means the resolution proposed to be passed at the General Meeting and contained in the Notice of General Meeting.

RMB Australia means RMB Australia Holdings Ltd ACN 003 201 214.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a person entered in the Company's register as a holder of a Share.

Annexure A

SUMMARY OF THE TERMS AND CONDITIONS OF THE LENDER OPTIONS TO BE ISSUED PURSUANT TO RESOLUTION 1

- (a) No consideration is payable for the issue of the Lender Options.
- (b) The exercise price (**Exercise Price**) per Lender Option payable by the optionholder on the exercise of the Lender Options is the lesser of: (a) 20 cents per share or (b) a 20% premium to the price of the Equity Raising Price.
- (c) Lender Options that have not been exercised in accordance with these terms will lapse at 5.00pm on the day which is 3 years after the date on which those Lender Options have been issued (**Expiry Date**).
- (d) In relation to a Lender Option, the optionholder may, subject to paragraphs (e) to (h) (inclusive), exercise that Lender Option at any time before 5:00pm (Melbourne time) on the Expiry Date (**Exercise Period**).
- (e) If the optionholder proposes to give the Company a notice of exercise, it must first give the Company prior notice (Consultation Notice) and must consult with the Company regarding the proposed notice of exercise in accordance with paragraphs (f) to (h) (inclusive) before it can give the notice of exercise.
- (f) If at the time the Company receives the Consultation Notice there is excluded information (as defined in section 708A(7) of the Corporations Act) in respect of the Company (**Excluded Information**), the Company must, within 2 Business Days from receipt of the Consultation Notice, advise the optionholder that there is Excluded Information and the optionholder must, subject to paragraph (g), consult with the Company regarding the proposed exercise of notice for a period of 15 Business Days.
- (g) If at the time the Company receives the Consultation Notice or at any time during the consultation period referred to in paragraph (f) there is no Excluded Information, the Company must, within 2 Business days from receipt of the Consultation Notice, advise the optionholder accordingly and the optionholder may then give the proposed notice of exercise on the next Business Day.
- (h) If after giving a Consultation Notice the optionholder does not give a notice of exercise within 2 Business Days of the expiry of the periods referred to in paragraphs (f) or (g) (as applicable), the optionholder must again comply with paragraph (e) before giving a notice of exercise.
- (i) Subject to paragraphs (e) to (h) (inclusive), the Lender Options are exercisable by lodging with the Company during the Exercise Period:
 - a written notice of exercise of Lender Options specifying the number of Lender Options being exercised (**Exercise Notice**);
 - a cheque, or other evidence satisfactory to the Company of payment of the Exercise Price for the number of Lender Options being exercised; and
 - the certificate for those Lender Options, for cancellation by the Company,

provided that, unless the Company agrees otherwise, no more than 3 Exercise Notices may be given in respect of all the Lender Options issued.
- (j) Within 2 Business Days of receipt of an Exercise Notice accompanied by the Exercise Price the Company will allot the number of Shares specified in the Exercise Notice to the relevant optionholder. Within 5 Business Days of the issue of Shares, the Company will:
 - procure that the relevant optionholder is issued a CHESS holding statement or issuer-sponsored holding statement in respect of the allotted Shares;
 - lodge with ASX a notice in accordance with section 708A(5) and (6) of the Corporations Act in relation to the issue of the Shares or, if the Company is unable to comply with each of the obligations required to issue such a notice, lodge a disclosure document complying with part 6D.2 of the Corporations Act within a further 30 Business Days;
 - cancel the certificate for the Lender Options being exercised; and
 - if applicable, issue a new certificate for any unexercised Lender Options to the relevant optionholder.
- (k) The Company will not apply for official quotation by ASX of the Lender Options.

- (l) The Company must apply for official quotation on the ASX of any Shares issued on exercise of a Lender Option, immediately upon, and in any event no later than 2 Business Days after, the Shares are issued and allotted. When issued on exercise of a Lender Option, any Shares must be of the same class, and rank equally with, other Shares on issue as at that date.
- (m) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company after the issue of Lender Options but before the expiry or exercise of any Lender Options, the number of Lender Options to which the optionholder is entitled or the Exercise Price of the Lender Options or both will be reconstructed (as appropriate) in accordance with the Listing Rules. For the avoidance of doubt, the rights of an optionholder may be changed to the extent (but only to the extent) necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (n) There are no participating rights or entitlements inherent in the Lender Options and the optionholder will not be entitled to participate in new issues of capital offered to Shareholders of the Company during the currency of the Lender Options until those Lender Options are exercised and Shares are allotted and issued in accordance with the Facility Agreement and the terms of the Lender Option Certificate. However, the Company will ensure that for the purpose of determining entitlements to any issue of capital of that kind, the Company will give the optionholder 10 Trading Days notice of any new issue of capital before the record date for determining entitlements to the issue of capital in accordance with the Listing Rules. This will give the optionholder the opportunity to exercise that portion of the Lender Options which the optionholder is entitled to exercise before the record date for determining entitlements to participate in any issue of capital.
- (o) If, after the issue of the Lender Options but before the expiry of any Lender Options, the Company makes an issue of Shares to the holders of Shares by way of capitalisation of profits or reserves (bonus issue) other than in lieu of a dividend payment, then on exercise of the Lender Options, the optionholder will be entitled to have issued to it (in addition to the Shares which the optionholder is otherwise entitled to be issued on exercise of the Lender Options) additional Shares in the Company. The number of additional Shares is the number of Shares which would have been issued to the optionholder under the bonus issue ("Bonus Shares") if on the date on which entitlements for the bonus issue were calculated, it had been registered as the holder of the number of Shares if immediately before that date it had exercised its Lender Options and been issued the Shares. The Bonus Shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to other Shares allotted upon exercise of the Lender Options.
- (p) Subject to paragraph (q), the optionholder is entitled to sell, assign or transfer all or any part of the Lender Options (and if in part, in minimum transfer amounts of 500,000 Lender Options) to any person or persons provided that the transferee of the Lender Options is a person to whom an offer of Lender Options may be made without a disclosure document in accordance with Chapter 6D of the Corporations Act.
- (q) If the optionholder has issued 2 Exercise Notices in respect of part of the Lender Options issued, the optionholder may only exercise its rights under paragraph (p) in respect of all of the remaining Lender Options.
- (r) An optionholder will have the right to attend, but (subject to the Corporations Act) not to vote at, general meetings of Shareholders.

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**ACN 109 933 995
GENERAL MEETING OF SHAREHOLDERS
PROXY FORM**

I/We (print name)

of (print address)

being a member/members of Bass Metals Ltd (ACN 109 933 995) hereby appoint

.....
of

or failing him/her

of
or failing him/her, or if no person/body corporate is named, the Chairman of the meeting, as my/our proxy at the General Meeting of the Company to be held commencing at 9.00am on Monday, 31 October 2011, and at any adjournment or postponement thereof and to vote for me/us on my/our behalf in respect of all/the following*

.....
of my/our Shares in the manner as set out above.

In relation to any undirected proxies the Chairman intends to vote in favour of the Resolution.

If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box.

☐

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box and you have not directed your proxy how to vote, the Chairman will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

	For	Against	Abstain
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Resolution 1 Approval of Lender Options Issue

☐☐☐

Dated this day of 2011.

PLEASE SIGN HERE

Individual or Securityholder 1

**Individual/Sole Director and
Sole Company Secretary**

Securityholder 2

Director

Securityholder 3

**Director/
Company Secretary**



ACN 109 933 995

INSTRUCTIONS FOR COMPLETING THE PROXY FORM

1. To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting as soon as possible and either:
 - send the Proxy Form by facsimile to the Company on +61 8 9481 2846;
 - post the Proxy Form to the Company at PO Box 1330, West Perth WA 6872; or
 - deliver the Proxy Form to the registered office of the Company at Level 1, 91 Havelock Street, West Perth WA 6005.
2. Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights.
4. *If two proxies are appointed you may delete "all" and insert the relevant number or proportion of shares in respect of which each such appointment is made. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
5. Should you desire to direct your proxy how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
6. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
7. Corporate Shareholders wishing to appoint a proxy should comply with the execution requirements set out on the Proxy Form or otherwise with the provision of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.
8. Completion of a Proxy Form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
9. Where a Proxy Form or form of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged with the Proxy Form or appointment of corporate representative.