



**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 FRIDAY, 17 AUGUST 2012  
AT THE CELTIC CLUB,  
48 ORD STREET, WEST PERTH, WESTERN AUSTRALIA**

**IMPORTANT INFORMATION**

This Notice of Meeting should be read in its entirety.  
If Shareholders are in doubt as to how they should vote, they should seek advice from  
their 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, and in any event no  
later than 9am (WST) on 15 August 2012, 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  
or via email to [admin@bassmetals.com.au](mailto:admin@bassmetals.com.au).**



**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: Friday, 17 August 2012**

**LOCATION: The Celtic Club, 48 Ord Street, West Perth, Western Australia**

**This Notice of Meeting should be read in its entirety.  
If Shareholders are in doubt as to how they should vote, they should seek advice from their 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 Resolutions are defined in Section 6 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**

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#### **RESOLUTION 1: RATIFICATION OF SHARE ISSUE**

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

**"That for the purposes of Listing Rule 7.4 and for all other purposes, the issue on 9 July 2012 of 15,000,000 Shares at no cost to Intec Ltd on the terms and conditions set out in the Explanatory Statement be approved and ratified."**

**Short Explanation:** The Directors seek Shareholder approval and ratification of the issue of 15,000,000 Shares to Intec Ltd as announced to ASX on 9 July 2012, on the terms and conditions set out in the Explanatory Statement, to refresh the Company's ability to issue up to 15% of its issued capital without Shareholder approval under Listing Rule 7.1. The Shares comprise part of the consideration to extinguish the Hellyer Processing Royalty, which represents a potential liability to Bass of \$4.4 million. As well, Bass has granted Intec Ltd a 2.5% Net Smelter Return royalty on any attributable Basemetal deposit mined on certain Bass tenements.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Intec Ltd, the party who participated in the issue and its respective Associates except as described under the heading VOTING EXCLUSIONS below.

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**RESOLUTION 2: APPROVAL FOR ISSUE OF OPTIONS TO RMB AUSTRALIA HOLDINGS LTD (OR NOMINEE)**

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

**“That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be given to issue 15,000,000 Options to RMB Australia Holdings Limited (RMBAH) (ACN 003 201 214) (or nominee) on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** This Resolution seeks Shareholder approval to issue 15,000,000 Options to RMBAH (or nominee) on the terms and conditions set out in the Explanatory Statement. The issue of the options is a condition of RMBAH agreeing to enter into a new facility or to extend the Company's existing debt facilities to 30 September 2012. The final number of options to be issued will be calculated on the basis of 3 million options for each \$1 million drawn under the extended facility, up to a maximum of 18,000,000 options. The Company has drawn down \$5 million under the facility.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by RMBAH (or nominee) and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the Resolution is passed, and any Associates of those persons, except as described under the heading VOTING EXCLUSIONS below.

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**RESOLUTION 3: DISPOSAL OF HELLYER MILL OPERATIONS PTY LTD**

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

**“That approval is given to the disposal by the Company of all of the shares it holds in its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd (ABN 18 125 516 636) to LionGold Corp Ltd (Bermuda Company Registration Number 35500) as detailed in the Explanatory Statement.”**

**Short Explanation:** This Resolution seeks Shareholder approval for the proposed divestment of all of the shares the Company holds in Hellyer Mill Operations Pty Ltd (**HMO**) to LionGold as announced to ASX on 6 July 2012. Consideration for the sale comprises \$13,500,000, with \$6,750,000 payable on Settlement and a further \$6,750,000 payable 30 days thereafter. The proposed divestment will enable Bass to repay all of its outstanding debts and provide sufficient working capital to continue exploration activities. This transaction is consistent with the Company's previously reported objectives of reducing debt through key asset sales.

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**RESOLUTION 4: APPROVAL FOR ISSUE OF SHARES TO LIONGOLD CORP LTD (OR NOMINEE)**

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

**“That, subject to the passing of Resolution 3, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval be given to issue 58,000,000 Shares to LionGold Corp Ltd (Bermuda Company Registration Number 35500) (or nominee) on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** This Resolution seeks Shareholder approval to issue 58,000,000 fully paid ordinary shares to LionGold 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 LionGold Corp Ltd (Bermuda Company Registration Number 35500) (or nominee) and a person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if the Resolution is passed, and any Associates of those persons, 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 Resolutions.

## 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; or
- email the Proxy Form to [admin@bassmetals.com.au](mailto:admin@bassmetals.com.au).

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.

## 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

In accordance with Regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have set a date to determine the identity of those entitled to attend and vote at the General Meeting. For the purposes of determining voting entitlements at the General Meeting, Shares will be taken to be held by the persons who are registered as holding at 5pm (WST) on 15 August 2012. Accordingly, transactions registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Dated this 9 July 2012

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 Resolutions to be considered by the Shareholders at the General Meeting. Defined terms used in this Statement are set out in Section 6. 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 Resolutions 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. RESOLUTION 1: RATIFICATION OF SHARE ISSUE

On 9 July, 2012, the Company issued 15,000,000 Shares at no cost to Intec Ltd (**Intec**) as announced to ASX on the same day. The agreement with Intec removes the Processing Royalty encumbrance from the Hellyer Plant in return for 15,000,000 Bass shares and a 2.5% Net Smelter Return (**NSR**) royalty payable for any Basemetal ores mined, attributable to Bass on certain leases in the Hellyer – Que River area.

By 31 July 2012 Bass and HMO will have paid Intec a total of approximately \$1.3 million under the Processing Royalty terms in the Hellyer Acquisition Agreement (dated 19 March 2009 and subsequently amended 3 November 2011). The Processing Royalty comprises a payment by Bass or HMO to Intec of \$3.50 per tonne of ore processed through the Hellyer Plant, capped at \$5.7 million. This results in a further potential liability to Bass and HMO of approximately \$4.4 million subject to the Hellyer Plant resuming ore processing operations at some point in the future.

In return for extinguishing the Processing Royalty, Bass has agreed to grant Intec a 2.5% NSR royalty from Bass' interest in Basemetal deposits on the following tenements; Hellyer Mine Lease (103M/1987), Mt Charter Retention Licence (R11/1997), Mt Block Exploration Licence (E48/2003), Bulgobac River Exploration Licence (24/2004) and the Que River Mine Lease (68M/1984). The new royalty explicitly excludes Gold deposits and Tailings and is not capped. Bass has also agreed to issue 15,000,000 fully paid ordinary shares in the Company to Intec for nil additional consideration.

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities, including securities with rights of conversion to equity (such as options), if the number of those securities exceeds 15% of the number of ordinary shares on issue at the commencement of that 12 month period.

Listing Rule 7.4 provides however that an issue under Listing Rule 7.1 is treated as having been made with Shareholder approval if the issue did not breach Listing Rule 7.1 and Shareholders subsequently approve the issue.

The Company confirms that the issue of the 15,000,000 Shares on 9 July 2012 was made under the Company's 15% capacity and accordingly did not breach Listing Rule 7.1. Subsequent approval under Listing Rule 7.4 is now being sought such that the issue of the Shares does not count towards the 15% limit.

In accordance with Listing Rule 7.5 the following information is provided in relation to Resolution 1:

**Number of Shares Allotted:** 15,000,000 Shares were allotted and issued on 9 July 2012.

**Issue Price:** The Shares were issued in part consideration for the removal of the Processing Royalty encumbrance from the Hellyer Plant.

**Terms:** The Shares rank equally in all respects with the existing Shares on issue.

**Allottee:** The Shares were issued to Intec Ltd. The allottee is not a Related Party of the Company.

**Intended Use of Funds:** No funds were raised from the issue.

**Voting Exclusion:** An appropriate voting exclusion statement is included in the Notice of General Meeting.

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

### 3. RESOLUTION 2: APPROVAL FOR ISSUE OF OPTIONS TO RMB AUSTRALIA HOLDINGS LIMITED (RMBAH)

On 28 June 2012, the Company executed a credit approved offer from RMB Australia Holdings Limited (**RMBAH**), Bass' corporate lender, to arrange a facility of up to \$6 million as a short term refinancing of existing facilities (**Facility**). The refinancing comprises an extension of the existing facility, up to \$6 million to 30 September 2012, with a further extension available to 21 December 2012 subject to certain conditions precedents relating to corporate budgets and the issue of a further tranche of options.

Pursuant to the terms of the Facility, and upon drawdown of the Facility, the Company must, subject to Shareholder approval, issue RMBAH (or its nominee) 3 million options for every \$1 million (or part thereof) drawn under the Facility (**Initial Options**). The Initial Options will have an exercise price of \$0.013 which was the 10 day VWAP preceding the date of acceptance of the credit approved offer of finance from RMBAH. If the Company is unable to issue the options to RMBAH then the Facility will become due and payable.

The Board considers that it is necessary to drawdown on the Facility to ensure adequate working capital is available for Bass, pending completion of the proposed transaction with LionGold for which Shareholder approval is being sought under Resolution 3 and whilst it finalises other asset disposals to enable repayment of all creditors. If Resolution 3 (below) is not passed by Shareholders then the Facility also provides the Company with additional time to implement an alternative funding structure.

RMBAH currently holds a total of 90,600,000 unquoted Bass options comprising; 3,000,000 Options exercisable at \$0.228 each on or before 22 September 2013, 5,900,000 Options exercisable at \$0.318 each on or before 27 May 2014, 66,700,000 Options exercisable at \$0.18 each on or before 31 October 2014 and 15,000,000 Options exercisable at \$0.18 each on or before 23 February 2015. In accordance with Listing Rule 6.23.1, RMBAH has agreed to cancel all of these existing Options for nil consideration.

A further facility extension to 21 December 2012 is available subject to certain conditions including RMBAH consent and the issue of additional options (**Extension Options**). The number of Extension Options is calculated by 4 million options for every \$1 million or part thereof outstanding under the Facility on 1 October 2012. The exercise price will be lesser of \$0.018 or the 10 day VWAP preceding the Initial Repayment Date (being 30 September 2012). Approval to issue the Extension Options does not form part of the Shareholder approval being sought under this Resolution 2 as the Company anticipates that the RMBAH facility will be repaid prior to 30 September 2012.

Resolution 2 seeks Shareholder approval for the purposes of Listing Rule 7.1 to issue the Initial Options to RMBAH (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 Options to RMBAH (or its nominee), the 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 2 to assist Shareholders decide whether or not to vote in favour of Resolution 2:

**Maximum Number of Options to be Issued:** 15,000,000 Initial Options.

**Date of Issue:** The Initial 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.

**Issue Price:** The Initial Options are to be issued in consideration, and pursuant to the terms of, the Facility. However, no further amount is payable in respect of the issue of the Options.

**Holder:** The Options will be issued to RMBAH (or its nominee). RMBAH (or its nominee) is not a Related Party of the Company.

**Terms:** The full terms and conditions of the Initial Options are attached as Annexure A.

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

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

#### 4. RESOLUTION 3: DISPOSAL OF HELLYER MILL OPERATIONS PTY LTD

Resolution 3 seeks Shareholder approval for the disposal by the Company of all of the shares it holds in its wholly-owned subsidiary, Hellyer Mill Operations Pty Ltd (HMO) to LionGold Corporation Ltd (LionGold).

The following information is provided to help shareholders assess the merits of the proposed disposal of HMO.

##### 4.1. Overview

LionGold is a gold investment and development company with interests in gold production and development projects around the world including production in Ghana and Australia and major projects under acquisition agreements in Bolivia and Western Australia. The acquisition is targeting the Hellyer Tails Mineral Resource which contains 800,000 ounces of gold, 32 million ounces of silver, the Mt Charter Mineral Resource which contains 239,000 ounces of gold and 7 million ounces of silver and the Hellyer Plant. This transaction will increase LionGold's gold inventory and, in conjunction with the placement for which Shareholder approval is being sought under Resolution 4, provide it with exposure to Bass' exploration and growth initiatives, particularly with respect to new gold discoveries in Tasmania. The Hellyer Plant is included in the acquisition because LionGold may plan to utilise certain components in the extraction of gold and silver from the Hellyer Tails Mineral Resource or at its off shore operations, but otherwise the plant is planned to remain on site, largely intact and if available, for Bass to use for its ore.

The offer by LionGold to acquire HMO for \$13.5 million cash provides Bass with an opportunity to pay out all of its outstanding creditors, retain sufficient working capital in the Company to undertake planned exploration programs in Tasmania and pursue new project opportunities, share Hellyer site maintenance costs and secure a resources focused cornerstone investor on its register. The two companies also plan to collaborate on exploiting new deposits discovered in Tasmania, with Bass focused on Basemetals and LionGold focused on Gold, as well as sharing maintenance costs around the Hellyer site.

##### 4.2. Background

On 6 July 2012 the Company announced to ASX that it had entered into a conditional share sale agreement (**Agreement**) for the disposal by the Company of all of the shares it holds in its wholly-owned subsidiary HMO to LionGold. HMO holds the following assets:

- The Hellyer Plant and associated infrastructure;
- The Hellyer Mine lease (103M/1987), Exploration Licence 24/2010 and Exploration Licence application 51/2011. Bass has a Sublease agreement with HMO over 103M/1987 giving it, subject to certain exceptions, ownership of all Basemetal resources and rights to continue its Basemetal exploration activities.
- The Hellyer Tails Mineral Resource located on 103M/1987.
- Mt Charter Gold Mineral Resource located on Retention Licence 11/1997 through a Sublicence Agreement with Bass.  
(Refer Annexure B for Competent Persons attribution and Mineral Resource details.)

Under the terms of the Agreement, LionGold will pay 50% of the consideration amount (\$6,750,000) on settlement and the balance within 30 days. The Agreement is subject to the satisfaction of certain conditions precedent including Bass Shareholder and FIRB approval. The parties will enter into a Share Mortgage over 51% of the HMO shares in favour of Bass until the second payment of \$6,750,000 is made by LionGold. Summaries of the material terms of these agreements are set out in Section 4.3 of this Explanatory Statement.

##### 4.3. Summary of the Agreement and other relevant agreements

###### *Share Sale Agreement*

A summary of the material terms of the Agreement to sell all of the shares in HMO to LionGold is set out below:

- LionGold has agreed to purchase the entire issued share capital of HMO. The purchase price payable by LionGold to the Company is \$13.5 million cash.

- The Agreement is subject to a number of conditions, including:
  - LionGold receiving the approval of the Treasurer under the *Foreign Acquisitions and Takeovers Act 1975* (Cth) to the acquisition of HMO and proposed placement of shares by Bass to LionGold (refer to Resolution 4);
  - the approval of Bass shareholders being sought pursuant to this Resolution 3 and Resolution 4; and
  - the execution of the Hellyer Sublease, the Mt Charter Sublicence, the Share Mortgage from LionGold, release documents for existing security interests and the placement agreement in relation to the proposed placement of shares by Bass to LionGold (refer to Resolution 4).

As at the date of this Notice of Meeting, the Hellyer Sublease, Mt Charter Sublicence and the placement agreement have been executed.

Completion is scheduled to occur on or about 24 August 2012, subject to satisfaction of the conditions precedent prior to that time.

Bass has provided warranties and indemnities that are customary for an agreement of this nature. Bass has also agreed to deposit \$2 million of the proceeds of the second tranche of consideration from the sale of HMO into a third party escrow account for a period of 12 months to satisfy possible warranty claims by LionGold. Subject to there being no outstanding claims, the balance of the escrow account will be released to Bass at the end of the 12 month period.

#### *Hellyer Sublease*

A summary of the material terms of the Hellyer Sublease is set out below:

- **(Sublease)** There is an existing sublease between HMO as sublessor and Bass as sublessee over part of the Hellyer Mine Lease (CML103/1987). This will be amended or replaced by a new sublease on broadly the following terms. HMO, as the valid holder of the Hellyer Mine Lease subleases a delineated area of the Hellyer Mine Lease (the "**Land**") to Bass for the purposes of Bass conducting activities for discovering, extracting and processing Basemetal Deposits.
- **(condition precedent)** The Hellyer Sublease is conditional upon HMO obtaining the written Ministerial approval in respect of the Hellyer Sublease without any conditions that are materially more onerous than those in the Hellyer Mine Lease by 31 August 2012 or such other date as may be agreed between the Parties (acting reasonably) in writing.
- **(reservations in favour of HMO)** Bass' rights under the Hellyer Sublease are subject to HMO's rights with respect to a suite of property reserved under the Hellyer Sublease, all right title and interest in any gold and silver in any Tailings extracted by the Sublessee from any Basemetal Deposit, all the rights and interest in Gold Deposits extracted from the Land, access to the Land for the purpose of searching for and extracting the Gold Deposits or any Tailings from the Land, and the priority of the Sublessor's operations over the Sublessee's operations.
- **(Bass' use of Land)** Subject to the reservations in favour of HMO, Bass may conduct a suite of permitted activities defined in the Hellyer Sublease for all purposes associated with the discovery, evaluation, commercial development, treatment and stockpiling of Basemetal Deposits, as well as bring on or construct any structure on the Land.
- **(Termination)** The Hellyer Sublease continues until one day before the expiry of the initial term of the Lease, unless it is terminated before that date on the earlier of:
  - the termination of the Lease;
  - HMO and Bass agreeing to terminate the Hellyer Sublease;
  - the condition precedent not being satisfied by 31 August 2012 or such other date as may be agreed between the Parties (acting reasonably) in writing and either Bass or HMO terminating the Hellyer Sublease after at least 10 Business Days' written notice to the other party;
  - after written notice is given for a non-remedied default by a non-defaulting party following a grace period of 60 days; and

- after three months' notice from Bass to HMO that there are no economically recoverable Basemetal Deposits on the Land.

#### *Mt Charter Sublicence*

The Mt Charter Sublicence features, to the extent appropriate, reciprocal terms as the Hellyer Sublease, with Bass as sublicensor and HMO as sublicensee. The Mt Charter Sublicence also includes a regime for the conversion of the Mt Charter Retention Licence (RL11/1997) to a mining lease.

#### *Heads of Agreement*

A summary of the material terms of the Heads of Agreement is set out below:

- The objective of the parties entering into Heads of Agreement is to set out a timeframe and process within which the parties will meet with the view to concluding negotiations on the matters set out in the following:
  - Strategic Development Agreement drafting assumptions;
  - Technical Services Agreement drafting assumptions; and
  - Mill Access drafting assumptions,(together, the "**Drafting Assumptions**").
- The Drafting Assumptions are schedules to the Heads of Agreement and are non-binding.
- Bass and HMO have agreed to:
  - meet within 20 Business Days of the date of the Heads of Agreement to commence negotiation of the matters set out in the non-binding Drafting Assumptions; and
  - meet as regularly as required with the view to concluding the negotiation within six months of the date of the Heads of Agreement, unless otherwise agreed by Bass and HMO.

#### *Strategic Development Agreement drafting assumptions*

Schedule 1 of the Heads of Agreement sets out the non-binding framework for a strategic development agreement to be entered into between HMO and Bass.

Broadly, the strategic development agreement framework sets out assumptions as to:

- access and priority rights to mineral rights as between HMO and Bass in Tasmania in the Acquisition Tenements and any new tenements;
- negotiation and priority of mining developments in the case where Gold Deposits and Basemetal Deposits overlap;
- the establishment, maintenance and administration of an exploration joint venture for minerals, which will be based on the AMPLA Model Exploration JVA;
- farm-in mechanics for any such exploration joint venture agreement, including the participating interests of the parties at any time during the exploration joint venture; and
- the establishment of a development joint venture if Bass and HMO make a decision to proceed to development and production on the joint venture.

#### *Technical services agreement drafting assumptions*

Schedule 2 to the Heads of Agreement sets out the non-binding framework for a technical services agreement to be entered into between HMO, LionGold and Bass.

Broadly, the technical services agreement framework proposes that:

- the parties will seek to manage at least their agreed non-discretionary elements (comprising mainly environmental and site management) of their respective activities on the Acquisition Tenements jointly;
- a Site Maintenance Plan and Budget will be developed and implemented by the Site Maintenance Manager (who will be either a Bass or HMO representative);
- the Site Maintenance Manager will be required to conduct its operations in accordance with programs and budgets approved by the Site Maintenance Management Committee (comprising of two representatives from each party and be chaired by a representative of the Site Maintenance Manager).

#### *Mill Access drafting assumptions*

Schedule 3 of the Heads of Agreement sets out the non-binding framework for a mill access agreement to be entered into between HMO, LionGold and Bass.

Broadly the mill access agreement framework Bass proposes that:

- Bass will seek the right to have access to the Hellyer Mill located on CML 103/1987 ("Hellyer Mill") to process its ore into metal and mineral concentrates;
- HMO will evaluate how to make available up to 1.5 million tonnes per annum of capacity at its Hellyer Mill to allow Bass to utilise the capacity to process its ore on a toll treatment basis;
- HMO will also offer spare capacity at the Hellyer Mill to Bass;
- the parties will enter into a toll treatment arrangement where HMO will treat Bass ore to recover payable metals and minerals into concentrates in the most technically and commercially viable manner possible to maximise the payable metals and revenues from the ore.

#### 4.4. Reasons for Divestment of HMO

The Directors consider that the following points are relevant in determining whether the divestment of all of the Company's shares in its wholly-owned subsidiary, HMO to LionGold is in the best interests of the Company:

(a) Current financial position:

Bass needs to raise additional funds to fully repay its secured and unsecured creditors either by asset sales or raising new equity.

The recent mining and processing operations of the Company have now ceased and whilst that work-out strategy has generated more revenue than originally forecast it is still not sufficient to retire all debt and fund the Company's non-discretionary expenditure for the next 12 months.

Equity market conditions are currently regarded as difficult for raising new equity, with junior exploration companies finding it particularly challenging to raise funds. In Bass' case given the market conditions and negative sentiment around raising funds to retire debt, preliminary discussions with brokers indicated that any raising would be highly dilutive and not assured of raising the required level of funds.

Therefore, following Completion of this transaction the Directors' view is that the Company will have sufficient funds to meet its general working capital needs including exploration on its Tasmanian tenements.

- (b) LionGold's primary interest is in the Gold resources and gold potential on Bass' tenements. Testwork and studies undertaken by Bass have indicated that these gold resources are technically challenging due the refractory nature of the mineralisation and will require significant further testwork and major capital expenditure to bring them into commercial production. Bass would need a large fundraising to advance these studies in any meaningful way and it could be argued that the work completed to date by Bass has not generated significant positive returns to Bass shareholders. The LionGold team includes executives with experience in processing refractory gold ores and they are likely better placed technically and financially to bring this project into commercial production. Bass would then be in a position to benefit directly from that through possible future Gold joint ventures on any new gold discoveries it makes. A successful tails retreatment operation focused on gold and silver would also directly benefit Bass through its rights to by-product base metal credits (net of costs).
- (c) A key advantage of this transaction compared to the public tendering process to sell the Hellyer Plant separately is that LionGold plans for the plant to stay largely intact and remain on site. Whereas all of the groups who reviewed the plant data and conducted site visits were planning to relocate it to the mainland or overseas. Bass and LionGold have agreed a non-binding framework under which Bass will have access to the Plant for its ore when it has built up sufficient resources to warrant restarting operations.
- (d) This transaction is structured to facilitate technical collaboration between Bass and LionGold. LionGold will become a strategic cornerstone investor in Bass with a strong resources focus, potentially stabilising a large portion of the share register. Based on LionGold's development plans it could, in time also provide Bass with financial support to grow its business through development and acquisition. The Bass and LionGold teams have complementary skills and plan both formally (through the Strategic Development Agreement) and informally to collaborate on developing their existing assets and reviewing new opportunities around Australia and internationally.

Some potential disadvantages associated with this transaction include that Bass investors will lose exposure to the possible development of the Hellyer Gold project. This may promote share selling and a decrease in the Bass share price. Bass is also reliant on LionGold making the second payment of \$6,750,000 within 30 days of settlement. To protect Bass' interests LionGold has granted Bass a Share Mortgage over 51% of the HMO shares as security for non-payment.

The sale of HMO is being undertaken in response to stressful financial circumstances brought about by a series of adverse technical issues affecting Bass' small scale resource development which is highly geared in an environment of declining AUD metal prices and rising costs. Taking all of these aspects into consideration the Directors consider that the completion of the HMO divestment would leave Bass debt free and in a relatively strong financial position for a very modest increase in its capital base. The alternative would be an outright sale of the plant and the tailings project or a highly dilutive capital raising, which may not be successful. As well, Bass retains access to a suitable processing facility and would be forging close ties with an emerging international resources group.

#### **4.5. Intentions of the Company if the Disposal is Approved and Completed**

The proceeds of the disposal of all of the Company's shares it holds in its wholly-owned subsidiary, HMO to LionGold will allow the Company to repay all outstanding debt with its secured and unsecured creditors. The Directors consider that the Company will have sufficient surplus funds to meet general working capital needs and to restart a comprehensive exploration campaign on its Tasmanian tenements.

An exploration program has been developed to focus on:

- Drill test advanced Basemetal targets such as the extensions and repetitions of the Fossey-MacKay mineralised lenses and find a source for the mineralised clasts at the Switchback Prospect.
- Continue prospecting and drilling work along the newly identified prospective stratigraphy in the Hellyer-Mt Charter Corridor to identify new prospects and targets.
- Utilise geophysics, soil geochemical sampling and drilling to better define and drill test the Newton copper-gold target on the Lake Margaret tenement, in particular the Newton prospect.

The Company will also seek and evaluate new project opportunities where its exploration skills and development experiences can add value to provide Bass shareholders exposure to greater project and commodity diversity.

As the Hellyer site operations continue to wind down the Company's corporate expenses will be scaled back in line with those of a non-producing minerals exploration and development business.

#### **4.6. Intentions of the Company if the Disposal is Not Approved and Completed**

If Resolution 3 is not passed by Shareholders and the sale of all of the Company's shares it holds in its wholly-owned subsidiary, HMO to LionGold does not proceed, the Company will continue to pursue additional funding through asset sales and/or new equity to erase the residual debt position and provide sufficient funds to re-start an exploration campaign. HMO will remain a wholly-owned subsidiary of Bass Metals. In addition, the proposed placement to LionGold for which approval is being sought under Resolution 4 would not proceed.

Minasco Australia Pty Ltd has been running a tender process on behalf of Bass which did have several parties that were considering putting purchase proposals forward however at this date, no proposals had been received. Bass also has a Corporate Advisory mandate with Patersons Securities Limited (**Patersons**). Subject to agreement on documentation, due diligence and finalisation of structure and pricing, Patersons may assist Bass in a capital raising process. To provide sufficient time for these processes to occur Bass has an extension option under the Facility to extend the term of the Facility until 21 December 2012 subject to RMBAH consent (refer to Resolution 2 explanatory notes).

#### **4.7. Indicative Timetable**

Subject to Listing Rules and Corporations Act requirements, the Company anticipates completion of the disposal of all of the Company's shares it holds in its wholly-owned subsidiary, HMO to LionGold will be in accordance with the following timetable:

Notice of Meeting dispatched to Shareholders	16 July 2012
General Meeting to approve the sale of HMO	17 August 2012
Satisfactions/waiver of all conditions in Agreement	17 August 2012
Settlement of sale of HMO and placement of Shares to LionGold (refer Resolution 4 below)	24 August 2012

#### 4.8. Directors' Recommendation

Based on the information available, the Directors consider that the proposed disposal of all of the Company's shares it holds in its wholly-owned subsidiary, HMO to LionGold is in the best interests of the Company and Shareholders, and unanimously recommend that Shareholders vote in favour of the Resolution.

No Director will receive any payment or benefit of any kind as a consequence of sale of HMO to LionGold, other than as a Bass shareholder. Mr. Michael Rosenstreich, Managing Director of Bass has agreed to remain as a Director of HMO at the request of LionGold.

#### 5. RESOLUTION 4: APPROVAL FOR ISSUE OF SHARES TO LIONGOLD CORP LTD (OR NOMINEE)

Subject to the passing of Resolution 3, Resolution 4 seeks Shareholder approval for the purposes of ASX Listing Rule 7.1 to issue 58,000,000 Shares to LionGold Corp Ltd (or nominee) at a price of \$0.01 per Share to raise \$580,000 (**Placement**).

The Placement is conditional on completion of the disposal of all of the Company's shares it holds in its wholly-owned subsidiary, HMO to LionGold, for which approval is being sought under Resolution 3. If the sale of HMO does not complete, the Placement will not proceed.

Under the terms of the Placement, LionGold has the right to appoint a nominee Director to the Bass Board, for so long as LionGold holds an interest of 12.5% or more in Bass. If LionGold holds an interest of 30% or more in Bass, it may appoint an additional nominee Director.

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 58,000,000 Shares to LionGold Corp Ltd (or nominee), the 58,000,000 Shares 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 4:

**Maximum Number of Shares to be Allotted:** 58,000,000 Shares.

**Date of Issue/Allotment:** The Shares 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. It is expected that the Shares will all be allotted together on a single day.

**Issue Price:** The Shares will be issued at a price of \$0.01 per Share to raise a total of \$580,000 before costs.

**Allottees:** The Shares will be issued to LionGold Corp Ltd (or nominee). The allottee is not a Related Party of the Company.

**Terms:** The Shares will rank equally in all respects with the existing Shares on issue.

**Intended Use of Funds:** The funds raised from the issue will be used for general working capital.

**Voting Exclusion:** An appropriate voting exclusion statement is included in the Notice of General Meeting.

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

## 6. DEFINITIONS

In this Explanatory Statement:

**\$** means Australian dollars.

**Acquisition Tenements** means the following tenements owned by HMO:

- Hellyer Mine Lease (CML103/1987);
- Exploration Licence 24/2010;
- the exploration licence ELA51/2011 which HMO has applied for and not yet received;
- the Mt Charter Retention Licence (RL11/1997) owned by Bass.

**Agreement** means the share sale agreement between the Company and LionGold pursuant to which the Company agrees to sell and LionGold agrees to buy the entire issued share capital of HMO.

**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.

**Basemetal Deposit** means insitu mineralisation or an insitu resource where the basemetal grades (which as a general guide would comprise of lead and zinc grades of greater than 5% and/or a copper grade of greater than 0.5%) have a greater Economic Value than Precious Metals. Basemetal Deposits includes any mineral deposit that is not a Gold Deposit or Tailings.

**Board** means the Board of Directors of the Company.

**Business Days** means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Perth, Western Australia.

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

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Economic Value** means the value determined after assessing the long-term (ten year) average Spot metal price trends for the relevant metal against the recoverable metal content of the relevant metal (as determined from metallurgical test work data taken from the deposit) from any given deposit with no adjustment for any costs associated with any off-take arrangements..

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

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

**Gold Deposit** means insitu mineralisation or an insitu resource where the highest Economic Value elements are Precious Metals. Gold Deposit excludes Tailings

**HMO** means Hellyer Mill Operations Pty Ltd, ABN 18 125 516 636.

**Initial Options** means the options to be issued to RMBAH on the terms and conditions set out in Annexure A, pursuant to Resolution 2 in consideration of and pursuant to the terms of the extension of the Company's corporate loan facility with RMBAH.

**LionGold** means LionGold Corp Ltd (Bermuda company registration number 35500).

**Listing Rules** mean the Listing Rules of the ASX.

**Net Smelter Return** means the revenues from sale of basemetal product or ore at the point of sale, less various charges, including transport costs, treatment and refining charges, other deductions at the smelter and sales costs.

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

**Precious Metals** means the elements gold and silver

**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 a resolution proposed to be passed at the General Meeting and contained in the Notice

of General Meeting.

**RMBAH** means RMB Australia Holdings Limited ACN 003 201 214.

**SGX** means the Singapore Exchange or Singapore Exchange Limited, as the context requires.

**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.

**Tailings** are deposits that are not insitu and which occur above the natural surface as an accumulation from the historic processing of Gold Deposits or Basemetal Deposits which may contain gold, silver, lead, zinc, copper, tin or other commodities. Tailings includes the existing Hellyer gold tailings..

**VWAP** means volume weight average price of the Company's shares as traded on the ASX.

## ANNEXURE A

### TERMS AND CONDITIONS OF THE INITIAL OPTIONS

- (a) No consideration is payable for the issue of the Initial Options.
- (b) The exercise price (**Exercise Price**) per Option payable by the optionholder on the exercise of the Initial Options is \$0.013.
- (c) Initial Options that have not been exercised in accordance with these terms will lapse at 5.00pm (Melbourne time) on the date which is three years from the date of issue (**Expiry Date**).
- (d) In relation to an Option, the optionholder may, subject to paragraphs (e) to (h) (inclusive), exercise that 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 Initial Options are exercisable by lodging with the Company during the Exercise Period:
- a written notice of exercise of Initial Options specifying the number of Initial Options being exercised (**Exercise Notice**);
  - a cheque, or other evidence satisfactory to the Company of payment of the Exercise Price for the number of Initial Options being exercised; and
  - the certificate for those Initial 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 Initial 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 Initial Options being exercised; and
  - if applicable, issue a new certificate for any unexercised Initial Options to the relevant optionholder.
- (k) The Company will not apply for official quotation by ASX of the Initial Options.
- (l) The Company must apply for official quotation on the ASX of any Shares issued on exercise of an 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 an 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 Initial Options but before the expiry or exercise of any Initial Options, the number of Initial Options to which the optionholder is entitled or the Exercise Price of the Initial 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 Initial 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 Initial Options until those Initial Options are exercised and Shares are allotted and issued in accordance with the Facility Agreement and the terms of the 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 Initial 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 Initial Options but before the expiry of any Initial 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 Initial 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 Initial 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 Initial 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 Initial Options.
- (p) Subject to paragraph (q), the optionholder is entitled to sell, assign or transfer all or any part of the Initial Options (and if in part, in minimum transfer amounts of 500,000 Initial Options) to any person or persons provided that the transferee of the Initial Options is a person to whom an offer of Initial 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 Initial Options issued, the optionholder may only exercise its rights under paragraph (p) in respect of all of the remaining Initial Options.
- (r) An optionholder will have the right to attend, but (subject to the Corporations Act) not to vote at, general meetings of Shareholders.

## ANNEXURE B

### HELLYER TAILS & MT CHARTER MINERAL RESOURCE SUMMARIES

#### 1. Hellyer Tailings Resource Estimate

Bass Metals has a significant tonnage of Tailings, contained in a purpose built impoundment and stored submerged beneath water, to prevent environmental degradation through acid mine drainage. This Mineral Resource is summarised in Table 1, in accordance with the JORC Code.

**Table 1: Hellyer Tails Combined Mineral Resource Estimate**

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

  

Contained Metal (No met. recovery assumed)	Gold Moz	Silver Moz	Zinc kt	Lead kt	Copper kt
Measured	0.4	17	137	152	10
Indicated	0.2	8	65	75	5
Inferred	0.2	7	36	61	4
<b>Total</b>	<b>0.8</b>	<b>32</b>	<b>238</b>	<b>288</b>	<b>19</b>

*Note: Small rounding errors may occur. Refer Competent Person statement and Technical Checklist below.*

#### 2. Mt Charter Gold-Silver Resource

At Mt Charter a large tonnage low grade gold-silver Mineral Resource has been delineated. The resource is reported above a 0.7 g/t cut-off within the mineralised envelope boundary and is classified as Indicated and Inferred in accordance with the JORC code (December 2004), as listed in Table 2 below.

**Table 2: Summary of Classified Mt Charter Mineral Resource at a 0.7g/t Au cut-off**

JORC Classification	Tonnes Mt	Gold (g/t)	Silver (g/t)	Zinc (%)	Gold koz	Silver koz
Indicated	1.9	1.2	36	0.7	75	2,200
Inferred	4.2	1.2	35	0.4	165	4,800
<b>Total</b>	<b>6.1</b>	<b>1.2</b>	<b>36</b>	<b>0.5</b>	<b>240</b>	<b>7,000</b>

*Note: Small rounding errors may occur. Refer Competent Person statement and Technical Checklist below.*

#### 3. Competent Persons Statement

##### Exploration Results and Mineral Resources

The information in this report that relates to Mineral Resource estimates is based on information compiled by Mr Michael Rosenstreich who is a fulltime employee of Bass Metals and a Member of the Australasian Institute of Mining and Metallurgy. Mr Rosenstreich 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 Rosenstreich consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

#### 4. Mineral Resource Estimate Checklists

**Table 3: Checklist of Assessment and Reporting Criteria - Hellyer Tails Mineral Resource Estimate.**

Geological Setting	Hellyer is a VMS style deposit occurring as polymetallic massive sulphide mineralisation within a mafic-felsic volcano-sedimentary sequence. The deposit was mined from 1985 to 2000 with production of 16.9 Mt @ 0.4% Cu, 7.2% Pb, 13.8 % Zn, 167 g/t Ag and 2.5 g/t Au. The Hellyer Tails Mineral Resource estimate relates to the Tailings from this production.
Estimation Source:	AMC estimated the Mineral Resource of the Hellyer Tailings in 2005. In June 2009 AMC was requested by Bass Metals Ltd to restate the Hellyer Tailings Mineral Resource estimate allowing for depletion of tailing for reprocessing since 2006.
Tenement and land status	Hellyer occurs within CML 103M/87 and is 100% owned by Hellyer Mill Operations, a wholly owned subsidiary of Bass Metals Ltd.
Drilling	Total hole drill samples were collected in June 1998 (61 holes) and July 2000 (53 holes) programmes. Vibracore drilling techniques were used.
Logging	No geological logging of the drill cuttings was undertaken. This is understandable given the type of material in the deposit.
Sampling	Samples were collected at 2 metre intervals in the 1998 programme and 6.5 metre intervals in the 2000 programme. Drillholes were composited to one sample downhole for length weighting during grade estimation.
Assaying	Samples were analysed by AMMTEC Burnie Research Laboratory (BRL), Au was determined by fire assay and Cu, Pb, Zn and Ag were determined using XRF. Only minor QA-QC was completed/
Database integrity	Routine validation was carried out by AMC.
Estimation and modelling techniques	A block model of the Tailings was developed using predeposition (of Tailings) topography and Tailings surfaces determined in 1998, 2000 and 2009. Grades were estimated into the model using ordinary kriging. Grade in the Shale Pit and Western Arm areas (retreated Tailings) were calculated by metallurgical balance.
Cut-off parameters.	The Hellyer Tails Mineral Resource statement and classification refers to tonnes and grade above cut-offs of 1.65% Pb, 2.04% Zn, 0.10% Cu, 76.83 g/t Ag and 2.28 g/t Au.
Mining / Metal assumptions.	No assumptions were made about mining or metallurgical factors
Bulk density	A bulk density of 1.93 t m <sup>-3</sup> was assigned to insitu Tailings. Tailings that had been retreated were assigned a bulk density of 1.64 t m <sup>-3</sup> .
Classification	A numeric code, RESCODE, was set in the model, with values of one, two or three, corresponding to Measured Resource, Indicated Resource and Inferred Resource respectively. The model has been classified in a global sense and the classification is only intended to be valid if the Tailings are mined in their entirety. The model has been classified as Measured Resource in all areas where the drilling density was sufficient to allow an estimate of grade in the first pass. This equates to most of the Tailings dam that was drilled in 2000. Kriging efficiency testing helped to confirm the classification in this area. The model has been classified as Indicated Resource at the peripheries of the drilling, as there was greater uncertainty in the continuity of grade. Four areas of the model have been classified as Inferred Resource, as there was uncertainty in grade continuity as well as uncertainty in the volume represented by the wireframes in these areas. The areas in question are the western edge of the model in the areas marked as 'shale borrow pits', the north eastern corner of the model where the Tailings have inundated a shallow creek and Tailings in the Western Arm dam and Shale Pit.

**Table 4: Checklist of Assessment and Reporting Criteria - Mt Charter Mineral Resource estimate.**

Criteria	Comments
Geological Setting	The Mt Charter deposit is a variety of VHMS deposit. Mineralisation is massive to stockwork auriferous and argentiferous barite veins.
Estimation Source:	The Mt Charter Mineral Resources estimation was undertaken by Snowden Mining Industry Consultants based on geological interpretations provided by Bass Metals Ltd, in 2006.
Drilling	All Bass Metals Ltd holes have been diamond-drilled and NTW-sized core recovered (diameter of 56mm). Historic drilling was also diamond-drilled and of NQ core size (47.6mm diameter). An average of 92% core recovery was achieved. The Mt Charter resource has been drilled on 50m spaced sections oriented WNW/ESE. Drill-hole spacing is approximately 50m along these section lines.
Logging	All drill holes were geologically logged using the same nomenclature as pre- Bass Metals Ltd drilling (Aberfoyle log codes). Wet and dry digital photographs of all cores were systematically taken and RQD measurements were recorded at per drill-run intervals (average of 3.0m).
Sampling	Half-core samples were collected at 1.0m interval unless there were major lithological boundaries which warranted more detailed sampling.
Assaying	Half core samples were submitted to Ammtec-Burnie Research Laboratories located in Wivenhoe, Tasmania. Samples were routinely analysed for Au (fire assay); Ag, Pb, Zn, Cu, As, Fe (triple acid digest and AAS); Ba (pressed powder XRF). SG determination was conducted by the laboratory on the 1m composite samples. QA-QC involved standards (every 25 samples) and blanks (every 25 samples) and a selection of samples were analysed by Genalysis (Perth) for comparison.
Surveying	All drill-hole collar locations have been measured by a contract surveyor.
Database integrity	The responsible project geologist reviewed and checked new results and plots standard and blank results to ensure these are within acceptable limits. This is required before the laboratory job is accepted. The drill-hole data is stored in an excel spreadsheet.
Geological Interpretation	The Mt Charter mineralisation comprises a barite-rich vein package which has a NNE trending enveloping surface and sub-vertical/steep westerly dip. The mineralized veins have a NNW strike and are sub-vertical.
Estimation and modelling techniques	Multiple elements were estimated using ordinary kriging. Ordinary kriging restricted to mineralisation and homogeneous domain boundaries. The change of support process is based on multi-element conditional simulation. Variography of all elements studied and grade trends modelled.
Cut-off parameters.	A cut-off grade of 0.7 g/t Au was applied.
Previous Mine Production	No previous mining has taken place on the Mt Charter deposit.
Mining factors or assumptions.	The tonnage and grade estimation is based on a 'change of support' geostatistical technique that is targeted at modelling the deposit behaviour using anticipated open pit mining on five metre high benches and a mining selectivity of 5 m by 10 m by 5 m.
Metallurgical factors	No assumptions have been made about metallurgical treatment.
Bulk density	Average bulk density values for stratigraphic domains calculated and applied to estimated blocks.
Classification	Snowden and Bass Metals have completed classification by taking into account data integrity, grade continuity, geological confidence and drill hole spacing.
Audits or reviews	No audits or reviews have been completed.

**BASS METALS LTD**  
**ACN 109 933 995**  
**PROXY FORM**

Name:

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Address:

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SRN / HIN:

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**Appointment of a proxy**

I/We being a member(s) of Bass Metals Ltd hereby appoint:

\_\_\_\_\_  
(Write here the name of the person you are appointing)

or failing the person named, or if no person is named, the Chairman as my/our proxy and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Bass Metals Ltd to be held at The Celtic Club, 48 Ord Street, West Perth, Western Australia at 9.00am on Friday, 17 August 2012 and at any adjournment of that meeting.

**Votes on items of business**

(Voting directions to your proxy – please mark **X** to indicate your directions)

	FOR	AGAINST	ABSTAIN*
<b>Resolution 1</b> Ratification of Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> Approval for Issue of Options to RMBAH	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> Disposal of Hellyer Mill Operations Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> Approval for Issue of Shares to LionGold	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

\*If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item.

**Appointment of a second proxy**

I/We wish to appoint a second proxy

mark with an "X" if you wish to appoint a second proxy    AND     %    OR     State the percentage of your voting rights or the number of shares for this Proxy Form

**Authorised signature(s)**

This section must be signed in accordance with the instructions overleaf to enable your directions to be implemented.

**INDIVIDUAL/SECURITY HOLDER 1**  
Individual/Sole Director and  
Sole Company Secretary

**SECURITY HOLDER 2**  
Director

**SECURITY HOLDER 3**  
Director/Company Secretary

**Contact Details**

Contact Email address

Contact Telephone Number

(    )

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# Voting By Proxy - How to complete the Proxy Form

## Your Name, Address and Shareholder Details

Please complete your name and address as it appears on the share register of Bass Metals Ltd. If you are returning the Proxy Form by email your SRN or HIN must also be included.

## Appointment of a Proxy

Please write the name of that person you wish to appoint as proxy in the space indicated. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman will be your proxy and vote on your behalf. A proxy need not be a shareholder of Bass Metals Ltd.

## Votes on Items of Business

You may direct your proxy how to vote by placing a mark one of the three boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy will vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

## Appointment of a Second Proxy

If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company or you may copy this form.

To appoint a second proxy you must:

- indicate that you wish to appoint a second proxy by marking the box;
- on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of shares applicable to that form; and
- return both forms together.

## Authorised Signature/s

You must sign this form as follows in the spaces provided:

- **Joint Holding** in the case of joint holders the Proxy Form must be signed by all holders.
- **Power of Attorney** if signed under a Power of Attorney, you must have already lodged it with the Company, or alternatively, attach the Power of Attorney or a copy to this Proxy Form when you return it.
- **Companies** a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also the sole Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the meeting and a Proxy Form is not used, then an appropriate "Certificate of Appointment of Representative" should be produced prior to admission.

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## Lodgement of Proxy Form

This Proxy Form and any Power of Attorney or other authority under which it is signed (or a copy or facsimile which appears on its face to be an authentic copy of the proxy, power or authority) must be received no later than 48 hours before the commencement of the meeting. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**Documents may be lodged:**

- **by facsimile to the Company's registered office on +61 8 9481 2846; or**
- **by mail to the Company at PO Box 1330, West Perth WA 6872; or**
- **delivery to the registered office of the Company at Level 1, 91 Havelock Street, West Perth 6005; or**
- **by email to [admin@bassmetals.com.au](mailto:admin@bassmetals.com.au).**