

PLANT REFURBISHMENT COMMENCES IN PARALLEL WITH INCREASED HEAD GRADES AND FIRST SALES

Highlights

- Bass Metals commences plant refurbishment with purchase of two 800kva caterpillar generators to improve processing availability by >30%pa.
- Seeking high margin mining blocks, Bass has seen an increase in head grades from 4-5% up to 7-8%.
- 12,000tpa drying, screening and packaging facility under construction.
- Graphmada makes first sales under Bass' management.

Bass Metals Limited (ASX: "BSM") (the "Company") has continued to deliver on its published optimisation timeline at the Graphmada Graphite Mine, located in eastern Madagascar.

Recently, the Company has purchased two caterpillar generators capable of providing sufficient power for a fully refurbished plant, and for future expansion needs. The two 800kva generators are currently being shipped to site and are expected to be installed before year end. The instalment will see a greater than 30% lift in the availability and subsequent utilisation of the 6000 tonnes per annum (tpa) processing plant at Graphmada.

Elevated head grades achieved through improved mine planning at the large flake graphite mine will augment the increased availability of the plant at Graphmada. Since acquiring the mine, Bass has seen a lift in head grades from 4-5% up to 7-8% Total Graphitic Carbon (TGC). This is in contrast to the stated Mineral Resource insitu grade of 4.1%. The Company remains very positive of the grades increasing with depth beyond the currently published Mineral Resource, which is only estimated to a depth of 6 meters. The expectation of increasing grade through the soft, easily mineable and low cost saprolitic horizon to depth continues to be realised.



Figure 1: One of two 800kva Caterpillar generators recently purchased.

The Company also reports that the construction of its new workshop facilities, a key element of preparation for processing plant refurbishment works is on time and on budget. All tooling and equipment has been ordered and is being prepared for shipment.



Figure 2: The Graphmada workshop preparing for roof installation.

Recent testing by Scientific Design has also seen the approval by the Board for the commissioning of a 12,000tpa drying, screening and packaging facility. The facility will

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replace the existing rotary dryer and screens with a state of the art facility. The facility will be capable of matching the refurbishment capacity of the existing plant, while providing start up capacity for the planned second processing plant to reach a nominal 20,000 to 24,000tpa total processing capacity from Graphmada.

Bass also reports that Graphmada continues to make concentrate sales to existing customers in the USA and India, recently shipping its first sales under Bass' management. The shipment of approximately 200 tonnes will generate significant revenue for the Company.

Based on the recent outstanding results of concentrate optimisation for both Loharano and Mahefedok ore feed, Bass as part of its optimisation program, has also commenced sizing and procurement engineering for its processing plant refurbishment in order to install the most optimal equipment and ensure large to jumbo flake production at premium pricing concentrate grades.

Bass Metals CEO, Mr Tim McManus:

"The low capital cost purchase of these generators is a significant step in optimising the current operation and increasing annualised throughput at the processing plant. With a strategy of making low capital investments to optimise an operating asset, combined with material increases in resource inventories of soft, easily mineable saprolitic ore, the Company sees Graphmada as having a series of major competitive advantages to that of its peers who are over capitalising hard-rock deposits and who are heavily leveraged to single market sales strategies.

As Australia's only current publically listed producer, Bass is aiming to capture a meaningful share of the market to supply high-grade large flake concentrates into traditional high value markets, such as crucibles and refractories. It also seeks to be the first to reliably supply new markets such as the expandable graphite and lithium-ion battery markets, without exposing its shareholders to single market sales risks. We look forward to updating the market in the near future with further developments from the hard working team at Graphmada.

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ABOUT THE GRAPHMADA LARGE FLAKE GRAPHITE MINE

Bass Metals Ltd. is one of only five publicly listed graphite producers in the world. The company owns and operates the Graphmada large flake graphite mine, Bass' flagship project, located in eastern Madagascar. Madagascar has been a recognized producer and exporter of graphite since 1907 and sets the world standard for product quality and flake size.

The Graphmada mine has 40-year mining permits in place, containing four premium quality, large flake, graphite deposits hosted in weathered graphitic gneiss, a soft, easily minable rock that incurs low mining costs. With all associated mining infrastructure and logistics in place, the mine currently produces and sells a range of graphite concentrates into multiple market segments, to customers in India, the United States and Europe.

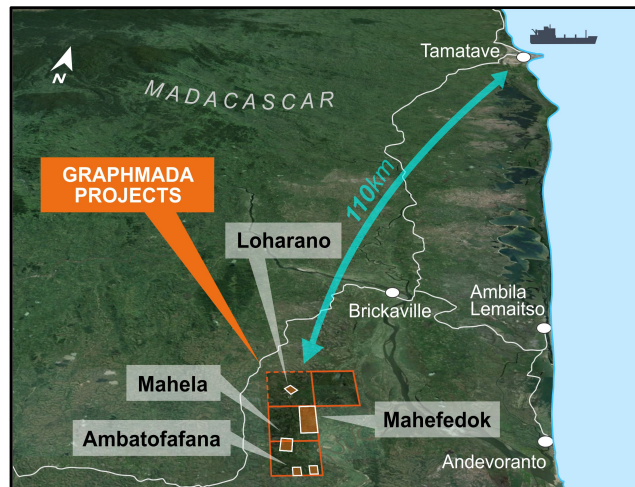
Generating revenue through ongoing lowest quartile cost production, the mine is currently being optimised by an experienced management team to 6000 tonnes per annum with improved final graphite concentrate grades, in order to grow cash margins.

Graphmada also has significant potential for low capital intensity expansion. Bass plans to invest capital to expand production to greater than 20,000 tonnes per annum of graphite concentrate sales by late 2018.

The Company has also made the strategic decision, in parallel with the optimisation at Graphmada, to actively explore and develop deposits in the immediate proximity to the mine, with a view to materially expanding existing resource inventories.

The Loharano deposit has provided the bulk of the feed to the Graphmada processing plant and has total JORC compliant Indicated and Inferred resources of 5.7Mt @ 4.1% Grade with a 2% cut-off¹. These resources are to a depth of only 6 meters, and mineralization is known to go to depth with increasing grade, and is open in all directions.

With the Company having a strong community engagement program and being well down the path in achieving its optimisation plans and growing its resource inventory, the team at Bass is confident of its plans for expansion and its future value creation for shareholders.



¹ These estimates were prepared and first disclosed by Stratmin Global Resource PLC under the JORC Code 2004. The estimates have not been updated to JORC Code 2012 on the basis that the information has not materially changed since it was last reported. Reference is made to the Company's announcement of 2 September 2015, which provides further detail regarding this information.

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