

27 January 2010

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

Dear Sir

## **NEW FOSSEY MINE DEVELOPMENT COMMENCES**

### **Highlights**

- **Bass Board approves immediate commencement of Fossey Mine development.**
- **Positive independent due diligence report received from Snowden Mining Industry Consultants.**
- **Zinc and lead concentrate off-take agreement signed with Nyrstar.**
- **RMB Resources Limited mandated to arrange \$12 million Project Loan and hedging facilities.**
- **Site works on Fossey decline and Hellyer mill start-up have commenced.**

Bass Metals Ltd (ASX:BSM) is pleased to report that site activities have commenced on the Fossey mine decline and Hellyer Mill refurbishment following Board approval to proceed with the project.

The Board approval was based on the findings in the Definitive Feasibility Study (reported to ASX 21 October 2009) supported by a detailed technical due diligence review by Snowden Mining Industry Consultants who found that; *“Bass’ Fossey Feasibility Study demonstrates the technical and economical viability of the underground mining operation. The production schedules, cost estimates and off-take terms provide a reasonable basis to value the operation.”*

Bass Metals is also very pleased to have signed a committed off-take contract with leading global multi-metals business, Nyrstar, for all zinc and lead concentrates produced from the Fossey Mine. Nyrstar is the world’s largest zinc metal producer and one of the world’s largest primary lead smelting and refining companies. Nyrstar owns the Risdon Zinc Smelter in Tasmania and the Port Pirie Lead Smelter in South Australia, hence contracting with Nyrstar generates many logistical advantages in concentrate freight and payment terms. The agreed off-take terms exceed Bass’ assumed terms in the Feasibility Study.

To complete the financing and hedging requirements considered necessary and prudent by the Board to support the Fossey Mine development, RMB Resources Limited has been mandated to arrange project debt and hedging facilities. The facility being contemplated has a \$12 million limit. The Mandate offer is conditional on several items including detailed technical due diligence and RMB Resources’ credit approvals.

The terms and conditions proposed by RMB Resources are considered by Bass to be standard for a facility of this type and include:

- a requirement to undertake a minimum hedging programme which at this point is estimated to comprise approximately 30% of the lead and zinc in concentrates derived from Fossey ore; and,
- an equity based fee comprising 2 to 4 million Bass options exercisable at a 10% premium to the market price at the time of issue. The option amount will be dependent on the timing of the option issue and whether or not Bass draws the full amount of the facility.

### **Commentary**

Bass Metals floated in October 2005 and has been active in the NW Tasmanian community since then, including over two years of continuous high-grade ore production from the Que River Mine. This decision to proceed with the Fossey Mine development presents a further expansion of the Company's mining and exploration activities, which presents important responsibilities and obligations towards all stakeholders, which the Company takes very seriously. It is therefore opportune to re-emphasise the Board's commitment to sustainability issues such as environmental management and safety. The Company is establishing a strong track record for effective and innovative environmental management for both current and historic mining and processing activities and is also very proud of its zero lost-time-incident record at the Que River Mine. These are aspects we will seek to enhance with the new mine, in addition to providing cash flow and profitability for the benefit of all our stakeholders.

The involvement of Snowden Mining Industry Consultants in Bass' technical review provides important support that the project risks have been thoroughly reviewed and assessed. Bass has requested that Snowden provide ongoing reviews through the ramp-up phase, which may also assist in expediting RMB Resources' due diligence process. It is particularly pleasing to have attracted the interest of RMB Resources, which is internationally regarded as a specialist resource financing group with strong in-house technical expertise.

In November 2009 Bass embarked on a major capital raising process independently of any metals trading or smelting groups on the basis that this would ultimately generate a greater financial benefit to Bass shareholders. Whilst the terms of the off-take agreement signed with Nyrstar are commercially sensitive and confidential, they represent a significant improvement on the overall terms assumed in the feasibility study and are viewed as a good deal by both parties. Bass has committed 100% of the zinc and lead concentrate production from the Fossey deposit under this off-take agreement, yet retains full marketing and financing flexibility for other production sources and the copper-silver concentrates.

The Fossey deposit was discovered by Bass in September 2007. It will be Bass' second mine development after the very successful Que River operation, which is in its third year. The approval and commencement of the mine development highlights a clear growth trajectory for Bass Metals towards becoming an emerging mid-tier producer of zinc, lead and copper-silver concentrates. It is the Company's hope that with continued exciting exploration results and an existing high-grade resource inventory, production growth will continue well beyond the term of the current Fossey Mine plan.

Yours Sincerely



Mike Rosenstreich  
*Managing Director*

## Fossey Decline portal location on the “Easy Street Corner”



### **Competent Person**

*The information within this report that relates to exploration results is based on information compiled by Mr Kim Denwer and Mr Mike Rosenstreich who are both full time employees of the Company. Mr Rosenstreich is a Member of The Australasian Institute of Mining and Metallurgy and Mr Denwer is a Member of the Australian Institute of Geoscientists. They both, individually have sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person(s) as defined in the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves and they consent to the inclusion of this information in the form and context in which it appears in this report.*

### **Technical Detail**

*This Report aims to provide a high level summary of various technical aspects of the Company's projects. For more details on the underlying technical parameters the reader is referred to the ASX Reports on the Bass Metals' website, [www.bassmetals.com.au](http://www.bassmetals.com.au).*

**Forward-Looking Statements:** *This document includes forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Bass Metals Ltd's planned development and exploration programmes and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Bass Metals Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.*