

28 July 2010

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

Dear Sir

Positive Gold Processing Scoping Study Outcomes.

- **3 gold recovery process routes identified as potentially viable for the Hellyer Tailings which contain 0.8Moz gold and 32Moz silver.**
- **The 3 Options comprise; Direct Cyanidation, Albion Process and Pressure Oxidation.**
- **Conceptual annualised gold recovery of 21 to 72koz and silver recovery of 1.3 to 2.7Moz postulated across the 3 process options.**
- **Conceptual total site operating cost estimates range from A\$743 to \$877 per ounce gold(Eq (gold & silver only)).**
- **Results highlight potential for significant gold production base to be developed by Bass subject to completion of further testwork and a positive feasibility study.**

Introduction

Bass Metals Ltd (ASX:BSM) commissioned metallurgical consultancy, BatteryLimits Pty Ltd and Como Engineers Pty Ltd to undertake a scoping study on the processing options for the economic recovery of gold, silver and possibly base metals from the Hellyer Tails resource. The resource contains 0.8 million ounces of gold and 32 million ounces of silver, with the gold being highly refractory associated with sulphide minerals and hence specialised recovery processes.

BatteryLimits has provided a metallurgical review, process descriptions, process schematics, and process design criteria for each of the three short-listed process routes. Como Engineers has estimated capital and operating costs for each option.

Gold Processing Scoping Study Findings

The process routes identified following an assessment of the historical testwork and feasibility studies were:

1. Direct Cyanide Leach with Cyanide Recycling – Option 1.

This involves attritioning, followed by cyanidation in a high cyanide environment with cyanide recovery (SART) and recycling before a gold and silver recovery phase to a dorè.

2. Fine Grinding with Oxidation (Albion Process) and Cyanide Leach – Option 2.

This involves flotation recovery to a bulk sulphide concentrate which would be fed to an IsaMill and subjected to fine grinding before being leached at atmospheric pressure and 90-100°C, using Xstrata's Albion Process. The oxidised residue would be then fed to standard cyanidation circuit with gold and silver recovery to dorè. The Albion Process is marketed globally by Core Resources and has been previously tested using Hellyer tailings (Xstrata, 1999).

3. Partial Pressure Oxidative Leach – Option 3

A bulk flotation concentrate is finely ground and fed into an autoclave for oxidation. Testwork indicates that optimum recoveries are achieved at partial oxidation of the sulphides reducing the autoclave residence time and hence the capital costs. Base metals will dissolve and report to the autoclave leach solution where zinc and copper could be recovered as a saleable intermediate product. The gold and silver remain in the partially oxidised residue and are recovered by standard cyanidation and elution techniques as in Option 2 above.

A summary of the key outcomes for each processing concept described above is presented in Tables 1 to 4 below. These scoping study level outcomes are based on the grades contained in the Hellyer Tails Mineral Resource as presented in Table 5 and described in Table 6 (also refer ASX Report 23 June 2009). It is important to note that Bass does have other gold bearing resources which may also be amenable to this style of gold silver (+base metals) recovery. The production estimates presented in Table 1 assume a feed-rate of 1mtpa, as that is the notional excess plant capacity after processing of Hellyer Mine Project (HMP) ore.

Table 1: Production Estimate Summary-assuming 1mtpa processed.

		Option 1		Option 2		Option3	
	Units	Au	Ag	Au	Ag	Au	Ag
Feed grade	g/t	2.59	104	2.59	104	2.59	104
Total Recovery	%	25	40	86	82	37	65
Metal recovered	koz/pa	20.8	1,338	71.6	2,742	30.8	2,174

* Gold equivalence is based on current gold and silver prices: A\$1,310/oz gold & \$19/oz silver giving a factor of c. 1:70, Au:Ag.

The capital cost estimates in Table 2 are based on current engineering costs within a range of plus or minus 35% with a 30% contingency added and assuming new plant and equipment. These costs apply only to the processing facility.

Table 2: Process Capital Cost Estimates for each Option

	Units	Option 1	Option 2	Option 3
Total	A\$M	49.4	143.2	116.8

The processing operating cost estimates in Table 3 are based on a stand-alone operation with no credit for potential synergies resulting from the current processing plans at Hellyer in relation to the HMP which is currently under development. Other operating costs such as mining, or tailings reclamation, general administration or environmental management are not included.

Table 3: Direct Process Operating Cost Estimates for each Option

	Option 1	Option 2	Option 2
Units	\$/t	\$/t	\$/t
Total	20.3	76.9	31.5
20% Contingency	4.1	15.4	6.3
Total	24.4	92.2	37.8

This initial scoping study level assessment is based on the Hellyer tailings resource for input grades and metallurgical recoveries from historic testwork results. Historic costs for mining i.e. reclamation of the tailings by a dredge and a general administration cost have also been incorporated as detailed below in Table 4 and footnotes, to generate conceptual site operating costs per ounce of recovered gold (equivalent). The gold equivalence is based only on gold and silver recovered and the prices listed below. Note in the case of option 3, no revenue from possible zinc or copper recovery has been included.

Table 4: Financial Outcome Estimates for each Option

	Units	Option 1	Option 2	Option 3
Gold Equivalent production ^{1 to 3}	koz	40.2	111.4	62.3
Estimated total site operating costs ^{4&5}	A\$/oz.	743	877	694
Operating margin	%	43	33	47

1. Based on recoveries cited above.

2. No allowance for Zn and Cu revenues for Option 3.

3. Based on current gold and silver prices: A\$1,310/oz gold & A\$19/oz silver.

4. Tails reclamation costs based on review of historic reclamation costs - \$3/t and G&A costs of \$2.5/t.

5. No allowance for Albion processing payments to Core Resources.

Table 5: Hellyer Tails Mineral Resource Estimate:

JORC classification	Tonnes (m)	lead %	zinc %	copper %	silver g/t	gold g/t	Density g/cm ³
Measured	4.9	3.1	2.8	0.2	105	2.7	1.93
Indicated	2.5	3.0	2.6	0.2	104	2.6	1.93
Inferred	2.1	2.9	1.7	0.2	103	2.4	1.74
Total	9.5	2.8	2.5	0.2	104	2.6	1.89

Discussion

Bass Metals has a 100% interest in 0.8 million ounces of gold, 32 million ounces of silver, which together comprise a gold equivalent resource of 1.3 million ounces, all within the Hellyer tails resource. The gold is highly refractory but these scoping study level results are regarded by Bass as highly encouraging that an economic gold recovery circuit could be added at Hellyer. The study findings are largely based on detailed assessments of a vast repository of applicable historical testwork and feasibility studies on the Hellyer tailings originating mainly from the 1980's and 90's; not on hypothetical data. As an example, a sample of Hellyer tailings was tested for amenability to the Albion Process in 1999 recording encouraging results of 93% gold and 88% silver recoveries at 46% sulphide oxidation.

The major changes to contribute to the current positive assessment compared to when the viability of recovering gold from the tailings was last assessed in detail (late 1990's), include:

- A major uplift in the gold price to approximately US\$1,100 - \$1,200 per ounce, compared to the sub US\$400/oz prices prevalent through the previous decade.

- Improvements in technology such as recent advances in cyanide recycling (Option 1), and engineering and operation of autoclaves (Option 3). Option 2, the Albion Process was experimental in the '90's but is now being installed commercially into several operations around the world.
- The potential resource base available to utilise the technology now includes more than just the Hellyer tailings, given the resource increments Bass has achieved over the past 5 years.


The highly refractory nature of the gold and fine grained texture of the associated sulphides means that the tailings currently represent the "metallurgically" most challenging" feedstock to any of the 3 process routes examined in detail, compared to Bass Metals' other resources such as Que River, Fossey and Mt Charter, which are metallurgically regarded as more benign. However, the tailings are also the largest currently known and most easily accessibly feedstock on which to base an initial gold production strategy. Hence this early focus on the Hellyer Tails.

The results are preliminary in nature but do demonstrate potential for a viable new operational component at Hellyer to recover precious metals. The indicative operating cost range from A\$700 to A\$900 per ounce (gold eq), whilst not "low cost" does assume a totally stand-alone operation with no synergies from other operational activities Bass Metals may be conducting on site such as the processing of its massive sulphide resources to produce base metal concentrates due to commence in December 2010.

On the basis of these positive results Bass intends to undertake a staged feasibility study process as a high priority. The first stage will focus on final process route selection followed by a series of detailed testwork programmes, process route design and cost estimates. The focus will be the Hellyer Tailings, but as the testwork programme develops amenability testing of other potential feed stocks may also be included.

In conclusion, Bass is highly encouraged by the outcomes of the scoping study recently completed by Como Engineers and BatteryLimits. Whilst still at a very early phase the study indicates the potential of utilising proven technologies to recover appreciable quantities of gold and silver and possibly also certain base metals which could significantly enhance the production and revenue profile of its business in Tasmania. The Company has to complete further large scale sampling and testwork programmes before committing to a definitive feasibility study to determine if such an operation could be viable and how it might be implemented. Setting the staged gold recovery study objectives and budgets is now a priority and I look forward to providing further updates on this in the near future.

Yours Sincerely



Mike Rosenstreich
Managing Director

Competent Persons Statement:

The information in this report that relates to the Hellyer Tails Mineral Resources is based on information compiled by John Tyrrell who is a full-time employee of AMC Consultants Pty Limited and a Member of the Australasian Institute of Mining and Metallurgy. John Tyrrell has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code)". John Tyrrell consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

Table 6: Checklist of Assessment and Reporting Criteria. Hellyer Tails Mineral Resource Estimate- 23rd June 2009.

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.
Previous calculations	AMC estimated the Mineral Resource of the Hellyer tailings in 2005. AMC was requested by Bass Metals Ltd to restate the Hellyer Tailings Mineral Resource estimate allowing for depletion of tailing for reprocessing since 2005.
Tenement and land status	Hellyer occurs within CML 103M 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 XRD determination. 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 factors or assumptions.	No assumptions have been made.
Metallurgical factors	No assumptions have been made.
Bulk density	A bulk density of 1.93 tm^{-3} was assigned to insitu tailings. Tailings that had been retreated were assigned a bulk density of 1.64 tm^{-3} .
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.