

ASX Announcement 22 December 2020

PROPOSED AMENDMENTS TO THE TERMS OF BASS METALS' CONVERTIBLE NOTES

Bass Metals Ltd ('Bass' or 'the Company') advises that it is seeking approval from holders of the Company's issued Convertible Notes ('Noteholders') to amend the Terms of Issue of the Convertible Notes ('Proposed Amendments') by way of a special resolution of Noteholders ('the Special Resolution').

The Proposed Amendments will:

- extend the maturity date of the Convertible Notes;
- reduce the interest rate payable on the Convertible Notes;
- allow the Company to pay interest due on the Convertible Notes by the issue of ordinary shares; and
- reduce the conversion price of the Convertible Notes.

BACKGROUND

In June 2019, Bass Metals Ltd undertook an issue of an initial tranche of Convertible Notes and subsequently issued further tranches of Notes. The Convertible Notes currently have a face value of \$0.008, interest rate of 15% pa paid half yearly in arrears, maturity date of 15 June 2021, are convertible at any time into one ordinary share per convertible note and are secured over the Company's assets.

The Company has currently on issue a total of 877.5 million Convertible Notes with a face value of the Convertible Note debt of approximately \$7m. The Convertible Notes are currently redeemable at maturity (15 June 2021) unless converted prior to maturity.

As the Company's share price is currently trading below the face value and effective conversion price of \$0.008, and with a 90 day VWAP of \$0.0034, the Directors consider that at present it unlikely that Noteholders will convert the Convertible Notes prior to maturity, and it is prudent to seek to refinance this debt obligation well in advance of the maturity date.

Accordingly, the Company is seeking Noteholder's approval to amend the Terms of Issue of the Convertible Notes.

PROPOSED AMENDMENTS TO TERMS OF ISSUE

In short, the proposed amendments include the following:

Maturity Date: extended by approximately 2 years to 30 June 2023.

Interest Rate: to be reduced from 15% per annum to 12 % per annum from 31 March 2021.

Interest Payments: amended to be paid at Bass' election in ordinary shares issued at a 30 day VWAP of trading in the Company's ordinary shares, rather than Convertible Notes at face value.

Conversion Terms: amended to be convertible into 1.6 ordinary shares per Convertible Note converted (an effective conversion price of \$0.005) at any time at the Noteholder's election.

Whilst the Company believes that the approval from Noteholders will be forthcoming, no assurance can be given that the amendments will ultimately be approved.

PROPOSED AMENDMENTS APPROVAL PROCESS

The Noteholder approval process is as follows:

- The attached record of special resolution is sent to Noteholders
- Noteholders cast their vote
- In order to take effect, the Proposed Amendments require 75% of Noteholders by value to agree to the Proposed Amendments
- Upon obtaining the requisite Noteholder vote in favour of the Special Resolution, the Company and the Note Trustee will enter into a Deed of Amendment to the Convertible Redeemable Note Trust Deed to give effect to the Proposed Amendments
- Any other regulatory or shareholder approvals which may be required, be obtained.

The Company will provide a further update to shareholders in respect of the Special Resolution in due course.

For more information, please contact:

Tim McManus
Chief Executive Officer

Peter Wright
Executive Director

Phone: (07) 3063 3233

Email: InvestorRelations@bassmetals.com.au

www.bassmetals.com.au

This announcement has been approved by the Company's Disclosure Committee for release.

Record of Written Special Resolution of Holders of 75% of the aggregate Face Value of all Convertible Redeemable Notes having been issued by Bass Metals Limited ACN 109 933 995 (the Company) as at 17 December 2020.

It is resolved that the Holders:

- (a) consent to the terms of the Convertible Redeemable Notes Trust Deed between Bass Metals Limited ACN 109 933 995 and Centec Securities Pty Ltd ACN 007 281 745 (the **Trustee**) dated on or about 28th June 2019, as amended on 31 October 2019, (the **Trust Deed**) being further amended as set out by way of the amendments marked up in the Revised Terms of Issue which is attached (the **Amendments**) to this record of special resolution (this **Record of Special Resolution**); and
- (b) direct the Trustee to enter into a Deed of Amendment to the Trust Deed to give effect to the Amendments upon terms materially consistent with the attached and to perform its obligations under the Deed of Amendment.

In accordance with clause 8.1(b) and 14.2 of the Trust Deed and clause 11.2 of the Terms of Issue and for all other purposes, we the undersigned being Holders (as that term is defined in the Trust Deed) representing (in aggregate) at least 75% of the principal amount of all of the outstanding Notes as at the date of this Record of Special Resolution, and not being Related Bodies Corporate of the Company as determined in good faith by the Company, confirm that we are in favour of the resolution set out in the paragraphs immediately above (the **Resolution**).

We acknowledge that the Resolution will be passed when the last of the Holders that constitute 75% of the aggregate Face Value of all convertibles redeemable notes executes this Record of Special Resolution and that the Resolution takes effect as if the Resolution were passed at a meeting of Holders convened in accordance with Attachment 2 to the Trust Deed. We also acknowledge that the Amendments may require shareholder or other regulatory approvals and will be of no effect until such approvals are obtained if required.

This Record of Written Resolution may be executed in any number of counterparts. All counterparts, taken together, constitute one instrument. A Noteholder may execute this Record of Written Resolution by signing any counterpart.

Register Holder	Number of Notes Held

Executed on _____ December 2020
by

Director/Sole Director/Sole Director and Secretary

Director/Secretary (if applicable)

Print full name of Director/Sole Director

Print full name of Director/Secretary

Bass Metals Limited – Convertible Note Term Sheet

Revised Terms – December 2020

Issuer	Bass Metals Limited ACN 109 933 995
Convertible Note Issue	Convertible Notes that have been issued and that may be issued by the Issuer pursuant to the Convertible Note Trust Deed.
Purpose	To finance continued exploration, sustaining capex and production expansion early works capex, general working capital and costs of the issue.
Issue Price	Face Value of \$0.008 per Convertible Note
Conversion at Holder's Election	Each Note is convertible at any time at the holder's election into one <u>1.6</u> ordinary shares of the Issuer (ASX: BSM) <u>(effective conversion price of \$0.005)</u> . For clarity, a Noteholder may exercise conversion rights in relation to only some, or all, of their Notes at any time.
Issue size	Up to 812,500,000 Convertible Notes (\$6,500,000) together with any Notes issued in lieu of Interest. Initial tranches totaling 756,875,000 Convertible Notes (\$6,050,000) have already been issued. The issue may be conducted in a number of tranches. The Issuer has also issued 120,607,629 Convertible Notes in lieu of Interest (at the Issuer's election) pursuant to the terms below.
Term	<u>Remaining term</u> Approx. <u>1.752.5</u> years
Maturity Date	15 June 2024 <u>30 June 2023</u>
Security	Investors have been granted security over all assets of the Issuer in accordance with the terms of the Note Trust Deed
Security Ranking	The Convertible Notes have first ranking security
Status	The Notes are direct and secured debt obligations of the Company. Each Note ranks for payment in a Winding Up of the Company: (1) equally and proportionally with each Note; and (2) ahead of all unsecured or subordinated debts of the Issuer and ordinary shareholders.
Issue Date	Multiple Tranches: already issued Subsequent tranches: TBA
Coupon Rate	Interest of 15% p.a, paid half yearly in arrears on the Interest Payment Dates <u>until 31 March 2021</u> . <u>From 1 April 2021, Interest of 12% p.a. will be paid half yearly in arrears on the Interest Payment Dates until Maturity Date</u> . Interest accrues from the date of issue of any Convertible Note. The first and last interest periods may be shorter periods.
Interest Payment Dates	31 March 2020 <u>(already paid)</u> 30 September 2020 <u>(already paid)</u> 31 March 2021 15 June 2021 <u>30 September 2021</u> <u>31 March 2022</u> <u>30 September 2022</u> <u>31 March 2023</u> <u>30 June 2023</u>

<p><u>Issue of Notes in lieu of Interest for Interest Payment Dates until 30 September 2020</u></p>	<p>The Issuer may elect, at its discretion, to issue Notes (at the Issue Price and on the same terms and conditions as the Placement Notes) in lieu of any Interest due on an Interest Payment Date <u>up to and including 30 September 2020</u>, and the issue of those Notes will be in full and final satisfaction of the Interest due and payable on that date.</p> <p>The number of Notes that will be issued will be so many Notes as is determined in accordance with the following formula:</p> $A = B/C$ <p>Where:</p> <p>A = the number of Notes to be issued in lieu of Interest payable on any Interest Payment Date,</p> <p>B = the amount of Interest due on the relevant Interest Payment Date, and</p> <p>C = \$0.008 (being the Issue Price/Face Value per Note).</p>
<p><u>Issue of Shares in lieu of Interest for Interest Payment Dates from 1 October 2020 until Maturity Date</u></p>	<p><u>The Issuer may elect, at its discretion, to issue ordinary shares of the Issuer (ASX:BSM) (Shares) (at the Issue Price and on the same terms and conditions as the Placement Notes) in lieu of any Interest due on an Interest Payment Date from 1 October 2020, and the issue of those Shares will be in full and final satisfaction of the Interest due and payable on that date.</u></p> <p><u>The number of Shares that will be issued will be so many Shares as is determined in accordance with the following formula:</u></p> $A = B/C$ <p><u>Where:</u></p> <p><u>A = the number of Shares to be issued in lieu of Interest payable on any Interest Payment Date,</u></p> <p><u>B = the amount of Interest due on the relevant Interest Payment Date, and</u></p> <p><u>C = the 30 day volume weighted average price of Shares traded on ASX for the 30 day period immediately prior to the Interest Payment Date.</u></p>
<p>Payment of Interest on Conversion</p>	<p>If a Holder elects to Convert Notes:</p> <p>(1) on a date being an Interest Payment Date, the Company will pay to the Holder an amount of Interest being:</p> <p>(A) all Interest owing on that Interest Payment Date; and</p> <p>(B) all accrued and unpaid Interest;</p> <p>(2) on a day that falls between Interest Payment Dates, then because interest is payable in arrears, on the next Interest Payment Date immediately following the relevant Conversion Date, the Company will pay to the Holder an amount of Interest calculated in accordance with the following formula:</p> $R = (I/180 \times MP)$ <p>Where</p> <p>R = the amount of Interest to be paid by the Company;</p> <p>I = the total amount of Interest which would have been payable to that Holder in respect of the relevant Notes on the Interest Payment Date following the Conversion Date, had the Notes not been Converted; and</p> <p>MP = the number of days commencing on the Interest Payment Date which immediately preceded the date of Conversion and ending on the Conversion Date.</p>
<p>Adjustments to Conversion Ratio</p>	<p><i>Pro Rata Offer</i></p> <p>If at any time prior to the earlier to occur of the Conversion, Redemption or Maturity Date of the Notes the Company makes a pro rata offer (excluding a bonus issue) to Shareholders, the Conversion Ratio will be adjusted using the formula as follows:</p>

$$NR = \frac{OR + E[P - (S+O)]}{N+1}$$

Where:

NR = the new Conversion Ratio of the Notes.

OR = the old Conversion Ratio of the Note prior to the pro rata offer.

E = the number of shares into which one Note is convertible.

P = average market price per share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex-rights date or ex-entitlements date.

S = the subscription price of a share under the pro rata issue.

O = the dividend due but not yet paid on the existing underlying shares (except those

to be issued under the pro rata issue).

N = the number of shares with rights or entitlements that must be held to receive a right to 1 new share.

Bonus Issue

If a bonus issue of shares is made by the Company, then the number of shares issued to each Holder on Conversion will be increased by the number of bonus shares that a Holder would have received if the Note had been exercised prior to the record date for the bonus issue and no change will be made to the Conversion Ratio.

Reorganisation of capital

The Company may only reorganise its capital:

- (1) in accordance with the Listing Rules; and
- (2) if, in respect of the Notes, the number of Notes or the Face Value, or both, is reorganised so that the Holders will not receive a benefit that Shareholders do not receive.

Unless the Listing Rules require otherwise, the Conversion Ratio must be adjusted as follows:

- (1) Reduction in capital
If the issued capital of the Company is reduced, the entitlement of a Holder to convert its Notes to shares at the Conversion Ratio will be reduced in the same proportion and manner as the issued capital is so reduced (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the reduction of capital) but in all other respects the Conversion Rights will remain unchanged.
- (2) Consolidation of capital
If the issued capital of the Company is consolidated, the entitlement of a Noteholder to convert its Notes to shares at the Conversion Ratio will be reduced in the same proportion and manner as the issued capital is so consolidated (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the consolidation of capital) but in all other respects the Conversion Rights will remain unchanged.
- (3) Subdivision of capital
If the issued capital of the Company is subdivided, the entitlement of a Holder to convert its Notes to shares at the Conversion Ratio will be increased in the same proportion and manner as the issued capital is so subdivided (subject to any provisions with respect to the rounding of entitlements as may be sanctioned by the meeting of the members of the Company approving the subdivision of capital) but in all other respects the Conversion Rights will remain unchanged.

Redemption	Repayment of Face Value and any unpaid interest at the Maturity Date in cash.
Early Redemption Takeover Event	<p>The Company may give a Redemption Notice in the event of a Takeover Event. Takeover Event means that if at any time on or before the Maturity Date, an off market bid, a market bid, scheme of arrangement, or offer or invitation is made to all holders of Ordinary Shares to purchase or otherwise acquire Ordinary Shares and the bid, scheme or offer becomes unconditional, and the offeror has at least 50% of the voting power (as defined by the Corporations Act) in the Company.</p> <p>Notwithstanding the issue of a Redemption Notice, a Holder may give a Conversion Notice (which may be expressed to be subject to Takeover Event completing) in respect of any of its Notes which are the subject of the Redemption Notice up to the before the relevant Redemption Date (or such later time as the Company may agree with the relevant Holder), and only Notes for which Conversion Notices have not been so given or are treated as having not been given will be Redeemed on the specified Redemption Date.</p>
Early Redemption after Twelve Months	<p>The Company may issue a Redemption Notice to Noteholders at any time after 30 June 2020 specifying a Redemption Date no earlier than 15 days after the date of the Redemption Notice.</p> <p>Notwithstanding the issue of a Redemption Notice, a Holder may give a Conversion Notice in respect of any of its Notes which are the subject of the Redemption Notice up to the before the relevant Redemption Date (or such later time as the Company may agree with the relevant Holder), and only Notes for which Conversion Notices have not been so given or are treated as having not been given will be Redeemed on the specified Redemption Date.</p>
Events of Default	Customary events of default are to be incorporated in the formal transaction documents, including but not limited to payment, redemption or conversion breaches, cross defaults, suspension from trading for more than 10 days and insolvency events.
No Dividends	No dividends may be declared or paid whilst the Convertible Notes are on issue.
Investor Eligibility	The Notes are being offered to 'sophisticated investors', 'professional investors' (under the Corporations Act) and investors who are exempt to disclosure requirements.
ASX Listing	The Notes will not be listed on ASX
Note Trustee & Security Trustee	Centec Securities Pty Ltd ACN 007 281 745

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This announcement contains certain 'forward-looking statements' within the meaning of the securities laws of applicable jurisdictions. Forward-looking statements can generally be identified by the use of forward-looking words such as 'may,' 'should,' 'expect,' 'anticipate,' 'estimate,' 'scheduled' or 'continue' or the negative version of them or comparable terminology.

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Competent Person Statement

The information in this document that relates to Exploration Results, Exploration Targets and Mineral Resources is based on information compiled by Tim McManus, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of the Company.

Tim McManus has sufficient experience that is relevant to the style of mineralization and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Tim McManus consents to the inclusion of the information in this document in the form and context in which it appears.

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