

## BASS NEGOTIATES SUBSTANTIAL REDUCTION IN GRAPHMADA MINE ACQUISITION DEFERRED CONSIDERATION PAYMENTS

### Highlights

- Bass has entered into an agreement with the vendor of the Graphmada graphite mine, Stratmin Global Resources Plc (“Stratmin”), for a substantial reduction in future milestone based payment obligations payable to Stratmin.
- Agreement provides for a material reduction of future obligations to Stratmin from previously up to A\$13m to now a maximum of A\$3.14m, on a revised and accelerated timeframe. The agreement delivers a reduction in the overall final price that Bass will pay for the operating Graphmada graphite mine from A\$15.25m to just A\$5.39m.
- In addition, Bass’ corporate advisor, Bizzell Capital Partners Pty Ltd, has arranged for the placement of Stratmin’s remaining shareholding in Bass (70m shares) to a number of existing Bass shareholders including all directors and key management.
- Bass proposes to undertake a capital raising of up to A\$2,000,000 to facilitate this transaction and to allow Bass to continue to progress with its production optimisation plans at Graphmada.

The Board and Management of Bass Metals Ltd (ASX:BSM) (“Bass” or “the Company”) are pleased to announce that the Company has entered into an agreement with Stratmin Global Resources Plc (“Stratmin”) to pay out at a material discount its future purchase obligations to Stratmin in relation to its acquisition of the Graphmada operating graphite mine in Madagascar. Additionally, Bass has secured the right to buy back its future royalty payments to Stratmin at a value significantly lower than the expected future royalty obligations.

### Original Agreement with Stratmin

Under the Company's original Share Purchase Agreement ("SPA") with Stratmin, Bass was required to pay A\$1,500,000 in cash and issue 75,000,000 shares to Stratmin as part of its Tranche 1 obligations. These obligations were met and concluded in early September 2016.

The SPA also provided, as outlined in our ASX release of 4 April 2016, that Bass make further future payments to Stratmin, as part of the acquisition, as follows:

- Tranche 2 – Bass was to issue to Stratmin A\$3,000,000 worth of shares in Bass with the achievement of production milestones on or before 31 December 2017;
- Tranche 3 - Bass was to issue to Stratmin A\$5,000,000 worth of shares in Bass with the achievement of production milestones on or before 31 December 2018;
- The total of the Tranche 2 and 3 obligations was to be A\$8,000,000 worth of Bass shares to be issued to Stratmin; and
- Additionally, the Company was obliged to pay to Stratmin a 2.5% production Royalty of up to A\$5,000,000 in cash over the next 5 years.

### New favourable terms reached with Stratmin

Under the terms of the deed of amendment to the SPA, Bass and Stratmin have now agreed that Bass' obligation to issue \$8,000,000 worth of shares shall be waived upon the payment of A\$2,640,000 to Stratmin over the following timeframe:

- A\$955,000 on or before 19 December 2016;
- A\$1,185,000 on or before 15 March 2017; and
- a final payment of A\$500,000 on 30 September 2017.

Additionally, Bass has secured an option to buy back its up to A\$5,000,000 royalty obligation for the sum of A\$500,000 with the option to be exercised by 31 December 2017, with no royalty payments to be made before this date.

Rick Anthon (Bass Metals Chairman), commented "We are delighted with the terms of this revised agreement, which allows us to remove up to A\$13,000,000 worth of future potential liabilities for A\$3,140,000. This transaction provides great certainty to Bass over its future financial forecasts and allows us to move forward confidently with our ongoing optimisation and expansion plans".

Bass Metals Director, Peter Wright, also stated “The board remains excited with the enormous potential of the Graphmada project. We are pleased to have arrived at the revised terms and also pleased with the support of a number of existing shareholders in purchasing all of Stratmin’s remaining shareholding in Bass. We wish Stratmin all the best for their future endeavours. We will continue to focus on delivering on the significant potential of the Graphmada mine and firmly believe we have the team and strategy to do so”.

Regards:

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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.

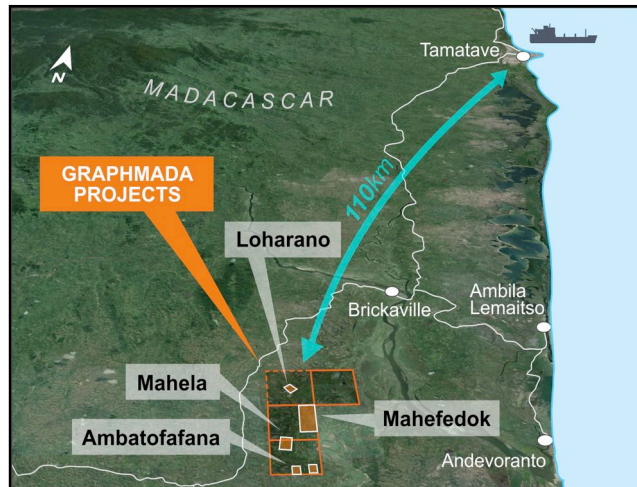
Generating revenue through ongoing lowest quartile cost production, the mine is currently being optimised by an experienced management team to 6000 tonnes per annum with improved final graphite concentrate grades, in order to grow cash margins.

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-off<sup>1</sup>. 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.



<sup>1</sup> 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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