

GRAPHMADA GRAPHITE MINE OPERATIONAL UPDATE

Highlights

- Bass Metals Ltd continues to progress its strategy to optimise the Graphmada graphite mine and establish positive cash flows, while in parallel materially increasing its resource inventory.
- A key component of optimisation; the construction of a new Drying and Packaging Plant is on schedule to deliver a streamlined drying and packaging solution at materially higher output volumes.
- Major equipment items and preferred suppliers have been selected for the Process Plant refurbishment. Post refurbishment Bass is targeting higher revenues from superior concentrates and lower cost production from a 6,000 tonnes per annum run-rate.
- Circa 2,300 meters of shallow resource definition drilling have been completed at the adjacent Mahefedok deposit over a 1.8km strike. Results pending analysis.
- A broad and comprehensive range of process improvements and safety measures implemented in the first six months of mine ownership.
- Bass continues production through increased screening and sales, combined with efforts to diversify and expand its customer base.

Bass Metals Limited (ASX: "BSM") (the "Company") is delivering on its aims to optimise and expand its Graphmada graphite mining operations, located in eastern Madagascar, while concurrently expanding resource inventory.

Optimisation Program

The team at Graphmada have continued to execute plans for the optimisation of the existing mine and infrastructure, via a series of material processing improvements and investments, with the aim of achieving cash flow positive operations in the second half of 2017.

The construction of a new Drying and Packaging Plant (DP Plant) in South Africa is proceeding as planned and is now nearing completion. The shipment of the modular

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plant will be as scheduled. In parallel a material expansion of the Concentrate Storage Facility is also being undertaken, in order to accommodate for larger output volumes of saleable graphite concentrates. Installation will proceed to time with the re-commissioning and ramp up of the refurbished Process Plant.

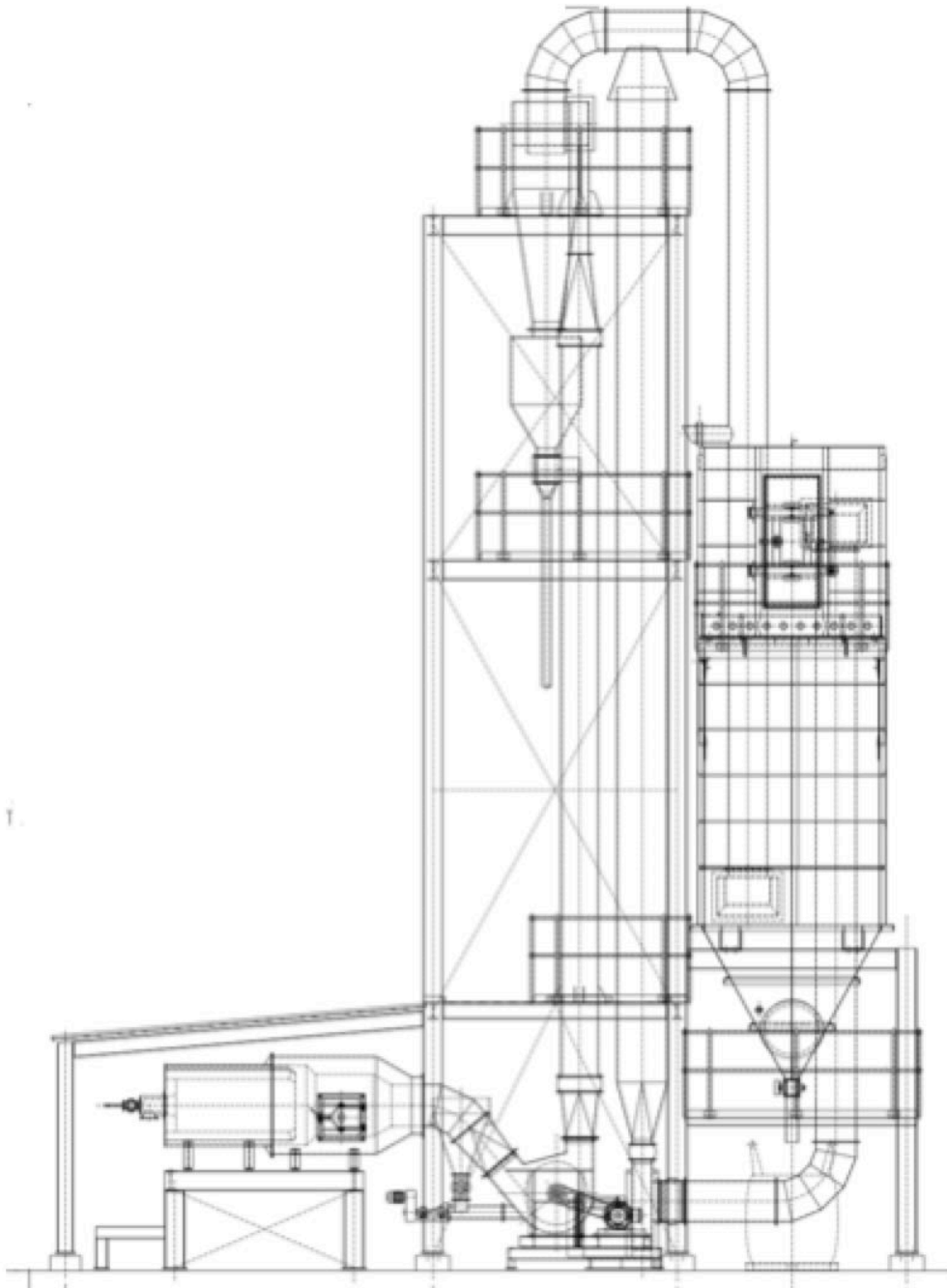


Figure 1: Drying and Packaging Plant design.

In parallel with the final stages of construction of the DP Plant, the existing Rotary Drying Plant is being de-commissioned, while maintaining screening and graphite concentrate sales capability. As part of this de-commissioning, the demolition of the brick furnace has commenced (see Figure 2).



Figure 2: Rotatory drying plant de-commissioning: demolishing the brick furnace.

The Company is also pleased to report that major equipment items and preferred suppliers have been selected for the Process Plant refurbishment, the key component of Bass' strategy to generate positive cash flow from optimised production of 6000 tonnes per annum of high value concentrates. Final negotiations on equipment pricing are now in progress, with purchases and shipping imminent.

The optimisation strategy and refurbishment commenced in 2016 and is ongoing, but the purchase, shipment and install of major equipment items are one of the key remaining components of the strategy.

To facilitate the arrival of these major equipment items initial Process Plant civil engineering works have commenced. The Process Plant has been surveyed in detail, foundation methods are being designed and logistics planned for the first concrete pour.

The Company remains on track to deliver on its strategy of substantial process optimisation for materially improved concentrate grade and volumes in 2017. In

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addition the Company is continuing its stated aim of materially expanding existing resource inventories.

Expansion Program.

Parallel to the optimisation program to deliver higher value concentrates, Bass has actioned its objective to material expand existing resources, with initial exploration activities at its Andapa discovery and resource drilling at the Mahefedok Deposit.

The maiden drilling program at Mahefedok is now entering its final phase, with the commencement of Zone 3 drilling. To date circa 2,300 metres of drilling have been completed across Zones 1 and 2, with Zone 2 looking particularly promising. There are approximately 200 metres of drilling left to complete the current program.

The Graphmada laboratory team has prepared circa 2,300 samples from the drilling program and regular shipments of samples have been sent to SANAS accredited laboratory Bureau Veritas in South Africa.

The Company now awaits results from these analyses with the aim to estimate a Maiden JORC Resource¹ for the Mahefedok deposit. As planned, analysis results are to be announced in March. The Company, with Board approval, then plans to undertake a detailed economic study on the expansion of Graphmada through the installation of a second process plant.

In addition, the Company will begin planning its next round of drilling to build on its maiden program at Mahefedok and begin the development of Andapa through a maiden drilling program.

¹ There is uncertainty that these exploration and evaluation works will be able to be reported as Mineral Resources or Ore Reserves in accordance with the 2012 edition of the JORC Code.

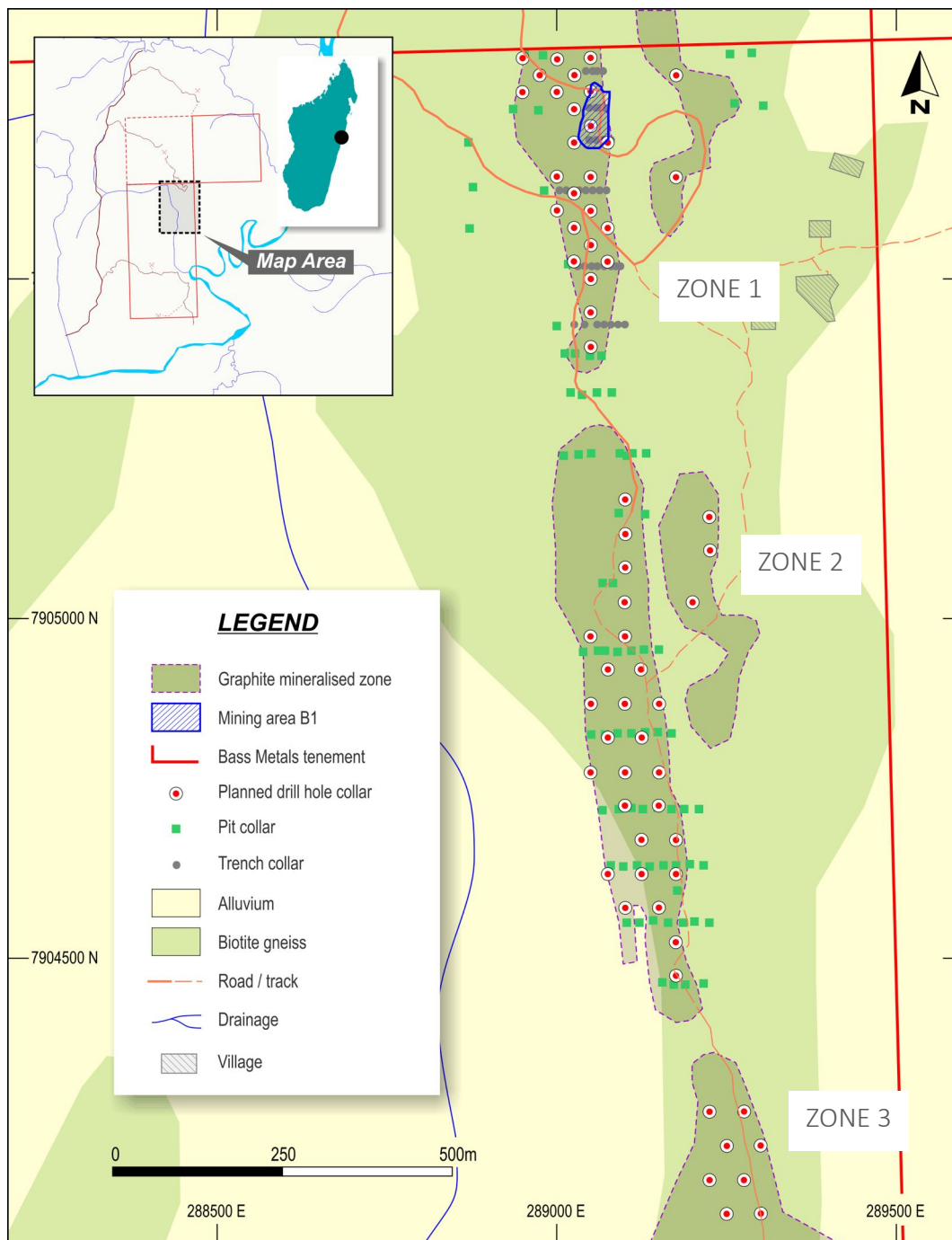


Figure 3: Map showing Mahefedok drilling zones.

Operations Update

Over 156 process improvements and safety measures have been implemented in the first six months of mine ownership. Of these 38 of 45 Critical Actions and 32 of 39 High Priority Actions have been completed. The outstanding Critical and High Priority Actions are scheduled to be actioned as part of major equipment installation during

refurbishment. Management is very pleased with the team's progress in de-risking operations and improving processes in such a short time since assuming ownership.

The team has also taken the initiative to begin infill auguring of 3 areas recognised as high potential zones of mineralisation at Mahefedok. These works are in addition to the resource drilling program.

The sampling from 230 metres of auguring across the 3 areas is currently being analysed in Graphmada's in-house laboratory. Based on the results, the team is looking to define high margin mining areas and aid the potential Mineral Resource estimate and subsequent Ore Reserve statement for Mahefedok.



Figure 4: Mahefedok road construction uncovers soft, easily mineable graphite mineralisation (grey material) at surface.

During all of the initiatives being implemented and the significant changes occurring almost on a daily basis, the Graphmada team has managed to sustain production and sales. With significant stocks available for screening and sale, the mine remains in a cash generating state while optimisation and expansion activities continue.

Along with existing sales, Bass has been developing new pathways to market to achieve a higher average basket price and diversified revenue stream. The Company is making significant inroads and is encouraged by recent approaches to Bass and the responses to its ability to deliver large flake premium graphite concentrates.

Bass Metals CEO, Mr Tim McManus:

“The Company continues to deliver on its strategy of optimisation and expansion of Graphmada along with the material expansion of its resource inventory. We are very pleased with how the team has maintained the primary focus of generating cash from operations while optimising the premium asset of Graphmada and developing its asset base for expansion. These are certainly exciting times.”

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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-off². 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.

² 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.

DISCLAIMER & CAUTIONARY STATEMENTS

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Competent Person Statement

The information in this document that relates to Exploration Results 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 mineralisation 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.

Subsequent Public Reporting

The information for the JORC Mineral Resource Summary is extracted from the ASX Announcement “Strategic investment in producing graphite asset” released 2 September 2015, which is available to view on www.asx.com.au. Bass Metals Ltd. confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcements.