

## GRAPHMADA GRAPHITE MINE OPERATIONAL UPDATE

### HIGHLIGHTS

- Bass Metals Ltd nearing completion of Stage 1 of the optimisation program: the establishment of 6000 tonnes per annum (tpa) production of premium graphite concentrates at its 100% owned Graphmada Large Flake Graphite Mine.
- Major processing equipment items have now arrived in Madagascar.
- Process Plant civil works are nearing completion, to time with the release from customs of the major equipment items.
- Modular Dryer System (MDS) construction has commenced and is on time and budget, with expected commissioning in November 2017.
- Prices for graphite concentrates in Bass' intended end markets have improved materially over the last 2 quarters.



Figure 1: The commencement of MDS installation; laying out of frames, completion of structural footing, and control room construction nearing completion.

Bass Metals Limited (ASX: "BSM") (the "Company") is pleased to provide an update on its optimization and refurbishment of the Graphmada Graphite Mine, located in Madagascar.

## MINE HEALTH AND SAFETY UPDATE

The Company is pleased to report that whilst the optimization and refurbishment of the mine has been in progress no Lost Time Injuries have been reported. The Company continues its focus of applying sound safety management practices to its activities and maintains its strategy of engineering a safe operating environment into the refurbishment of the mine.

## OPTIMISATION & REFURBISHMENT PROGRAM UPDATE

Refurbishment works continue as planned with the program on budget and on schedule. Significant actions undertaken since the last Operational Update include:

- ✓ Processing plant equipment shipped and in Madagascar awaiting customs clearance;
- ✓ Manufacture of new pumps complete and shipped to Madagascar;
- ✓ All procedures for heavy load transport of equipment to site arranged;
- ✓ On site off-loading safety procedures finalised;
- ✓ Plans for refurbishing electrical control room and plant offices finalised;
- ✓ Manufacturing of all electrical control boards and cables in progress;
- ✓ Final plan for electrical cabling routing confirmed;
- ✓ Extension of the existing generator shed to accommodate electrical distribution boards in progress;
- ✓ Process Plant civil works nearing completion in time for the arrival onsite of major processing equipment items;
- ✓ Integration between old and new floatation cells complete and water fill test successful;
- ✓ Floatation cells piping and material flow connection work underway;
- ✓ Refurbishing of previously used plant pumps underway;

- ✓ Surge bins, pumps and piping installation underway.
- ✓ All civil work to accommodate Modular Dryer System (MDS) complete;
- ✓ Assembly and erection of MDS components in progress;
- ✓ MDS electrical control room nearing completion;
- ✓ Manufacturing of dry sorting and screening equipment complete;
- ✓ Graphite size fraction storage bins complete;
- ✓ Mahefadok mine planning underway;
- ✓ Planning for extended stockpile area revised and confirmed.



Figure 2: Completed flotation recycle bins installed.



Figure 3: MDS installation underway.

## SALES & MARKET UPDATE

The mine currently has 298 tonnes of graphite concentrates in stock. The Company is negotiating the sale of this stock as part of maintaining regular supplies to Graphmada's main customers.

Small samples have also been dispatched from existing stock to potential new customers who are enquiring as to Graphmada's plans to supply natural flake graphite in 2018. Most interest is centred on the large to very large flake size concentrates as the market continues to see a significant decrease in supply in these flake sizes.

Table 1: Current Stock

GRADE FC%	Mesh Size			
	+50	-50+80	-80	-100
<85			1	
85-90		45	78	10
90-94	13	43	69	36
>94	1			
TOTAL	14	88	150	46

A total of 298 tonnes product.

Prices for graphite concentrates in Bass' intended end markets have improved materially over the last 2 quarters due to weakening supply out of China from the continued environmental crack downs, particularly in the use of coal in drying closing many factories in Shandong. Reports also indicate that Expandable Graphite usage is increasing significantly in China due to recent legislative changes in the use of fire retardants.

Prices are expected to continue to rise in the coming months particularly for large flake sizes with FC > 94%, the target of optimized production activities at Graphmada.

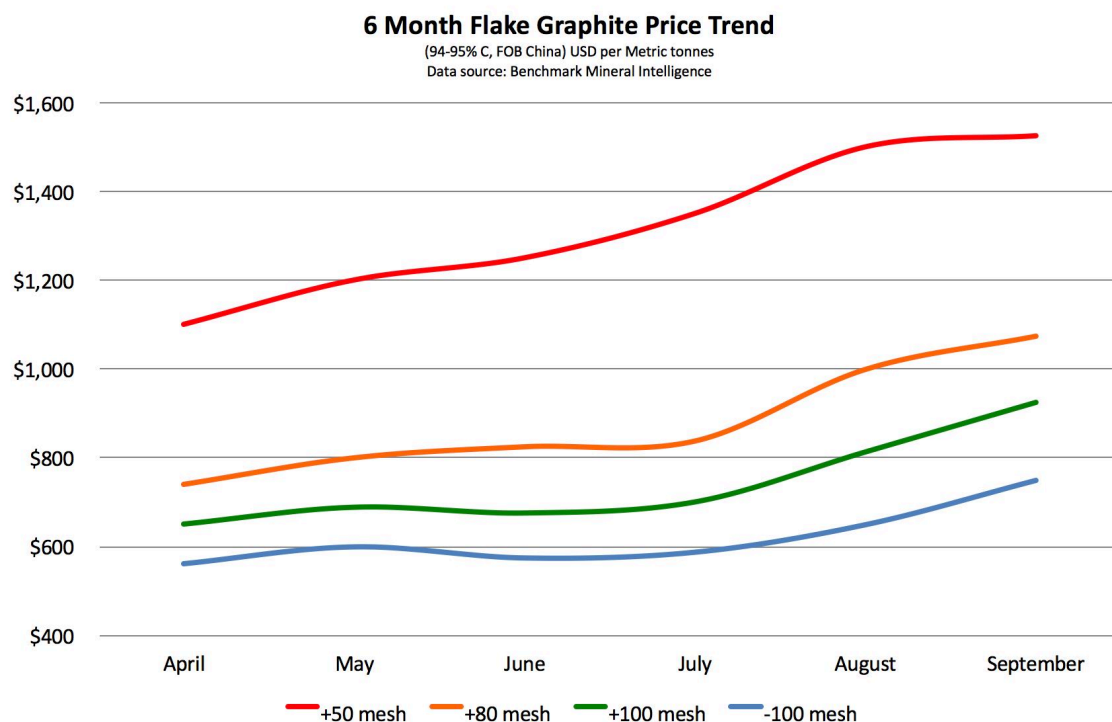


Figure 4: 6 month flake graphite prices.

#### BASS METALS CEO, MR TIM MCMANUS:

"We are nearing completion of Stage 1 of our optimization and refurbishment of the Graphmada Mine and aim to ramp up production from late 2017 through to early 2018 to reach 500 tonnes a month of high-value graphite concentrates (Stage 1: 6000 tpa run-rate).

As the only industrial minerals company on the ASX capable of entering all graphite market segments at premium pricing levels, and with pricing continuing to grow by double figures month on month, the Company is experiencing significant enquires for its future production, particularly in the larger flake sizes.

As such the team at Bass remains encouraged that our strategic timing to re-commission the Graphmada Mine will prove to add significant value to all shareholders and provide an excellent base to implement a Stage 2 expansion to 20,000 tpa.”

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## ABOUT THE GRAPHMADA JUMBO FLAKE GRAPHITE MINE

Bass Metals Ltd. is one of only three publicly listed graphite producers in the world. The Company 100% 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 premium graphite for over 100 years 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.

With the aim of generating revenue through lowest quartile cost production, the mine is currently being optimized by an experienced management team to 6000 tonnes per annum (Stage 1) 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 (Stage 2) of graphite concentrate sales by 2019.

In addition to exploring the greater mineralization potential of Madagascar, the Company has also made the strategic decision, in parallel with the optimization of Graphmada, to actively explore and develop deposits in the immediate proximity to the mine, to materially expand its 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>. This 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.

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<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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### COMPETENT PERSON STATEMENT

The information in this document that relates to Exploration Results 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.