

ASX Announcement 18 September 2018

FURTHER OPTION EXERCISE UNDERWRITING TO STRENGTHEN ROBUST FINANCIAL PLATFORM TO CONTINUE GROWTH TRAJECTORY.

HIGHLIGHTS

- Bass has entered into a second underwriting agreement for the exercise of an additional \$2.0 million worth of the Company's listed option series (ASX: BSMOB).
- This follows the successful completion via the early exercise of options of an initial \$4.5 million option expiry underwriting.
- \$0.5 million of the further underwritten exercise proceeds will be received immediately with early exercise commitments received from long-term supporters from within Bass' existing shareholder base with the transaction structure minimising dilution by utilising the Company's existing capital structure.
- The additional funding allows Bass to retain a prudent level of working capital at its 100% owned, debt free, commissioned Graphmada large flake graphite mine whilst delivering the ability to immediately pursue its substantial broader growth objectives.

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- Growth objectives for the next 6 months include a substantial exploration drilling program at the highly prospective 100% owned Millie's Reward Lithium project, additional drilling in proximity to Graphmada and substantive planning to enable commencement of early works for the Stage 2 expansion to establish production of 20,000 tpa of Large flake graphite concentrates.
- Bass has been strongly encouraged by the results from the exploration work to date done at both Millie's Reward and Mahela and with this additional funding secured, Bass has now approved commencing a comprehensive drill program to follow up an outstanding surface signature with the recently announced outstanding sample returning 31m at up to 3.72% Li₂O along with numerous outstanding rock chip samples returning up to 7% Li₂O.
- Bass to immediately progress final planning for Stage 2 at Graphmada in preparation for the commencement of early works.
- Bass left on robust financial footing with cash and receivables of \$6.5m following completion of the further underwriting, zero debt, a 100% owned asset portfolio and approaching positive operational cashflow at its 100% owned Graphmada mine.

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Bass Metals Limited (“Bass” or “the Company”, ASX Code: BSM) is pleased to announce that it has entered into a second underwriting agreement with Bizzell Capital Partners Pty Ltd (‘BCP’) to underwrite the exercise of a further portion of the Company’s listed option series (ASX: BSMOB).

OPERATIONS

As announced on 4 May 2018, BCP agreed to underwrite the exercise of 180m options with exercise proceeds to the value of \$4.5 million. BCP facilitated the early exercise of this underwritten amount with the full amount of the initial underwriting received prior to 30 June 2018.

Funds raised from the additional underwriting will further strengthen an already strong financial footing and with the commissioning of Graphmada and the ramp up to nameplate capacity, Bass is in close proximity to positive operational cash flow.

As it is well progressed on executing its initial strategy, Bass intends to capitalise on the production platform now established and move to execute on its broader growth strategy. With additional funding now in place, Bass will be able to pursue these objectives immediately whilst retaining prudential cash reserves.

The next phase of the Millie’s Reward exploration program is inclusive of a substantial drilling program which will commence within the next month.

In addition to the drilling at Millie’s Reward, the company intends to conduct exploration in the immediate proximity to the Graphmada mine to further grow existing Resource inventory. Bass also intends to immediately progress the planning and preparation for the Stage 2 expansion works at Graphmada.

Comment from Bass CEO, Tim McManus:

“This is a pleasing outcome and allows Bass to continue to pursue its overall strategy to become a substantial producer of industrial concentrates. We are pleased with the ramp up at Graphmada and excited to be in proximity to cash flow. We look forward to leveraging off all the hard work and experience gained from Stage 1 to move to Stage 2 of the upgrade and expansion at Graphmada whilst conducting advanced exploration at some of our highly prospective tenements, in particular Millie’s Reward..”

Comment from Executive Director, Peter Wright:

“I am pleased with the outcome achieved here. This funding allows us to maintain a prudent working capital buffer for our operations at Graphmada, whilst being able to fund the drilling of projects from within our portfolio that demand attention. It will be a great outcome for the Company to have \$6.5m cash and receivables, zero debt, 100% ownership of all our assets and near-term cash flow from operations. To have achieved this utilising existing securities on issue is also a good result for our shareholders, whose ongoing support for the company is always pleasing to see.”

The underwriting agreement contains standard terms and conditions for an agreement of this nature including customary termination provisions. BCP will be paid an underwriting fee of 4.0% of the underwritten amount and will be issued 4 million options (exercise price \$0.05 expiring 31 December 2020 (Fee Options)).

In addition, for option exercise amounts that are received by the Company prior to 7th October 2018, BCP will be paid 2.5% of the exercise proceeds and 1 Fee Option will be issued to BCP or its nominees for every 2 options exercised prior to 7th October 2018.



The fully recommissioned Graphmada Large Flake Graphite Mine (Stage 1).

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About Bass Metals

Bass Metals Ltd. is a producer of industrial mineral concentrates post the successful Stage 1 commercial ramp up of production at its 100% owned and debt free Graphmada Large Flake Graphite Mine.

The Graphmada Mine is located in eastern Madagascar, a democratic island country in the Indian Ocean, off the coast of Southeast Africa, which is governed under a French legal system with a low Corporate Tax rate of 20% and a low 2% Mining Royalty.

The country has produced benchmark quality graphite for over 100 years due to the high proportion of high purity, large flake, premium quality graphite in soft, easily minable, saprolitic ore. Therefore, deposits, like those at Graphmada, have low operating costs and extremely low capital costs when compared to other African or Western deposits. The well-developed export infrastructure is also a significant aspect that makes working in Madagascar attractive.

The Graphmada Mine has 40-year mining permits and 20-year landholder agreements in place, with four premium quality, large flake, graphite deposits. 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 Europe under an offtake agreement, and on order to customers in India, China and the United States.

Producing premium large flake concentrates at a time of rising prices, Bass as one of only two ASX listed producers, and one of only four publicly listed graphite producers globally, is working to expand production from 6,000 tonnes per annum (tpa) to beyond 20,000 tpa (Stage 2) and in addition, pursue a strategy to develop downstream Expandable Graphite production and technologies (Stage 3) for which our graphite concentrates are highly suitable.

With an established and growing production platform, complimented with the Company's prudent capital management, strong cash position, zero debt and sustainable cash flow, Bass is on a robust operational and financial platform to pursue and realise the considerable potential of exploring Madagascar and developing the Company's assets, such as the 100% owned highly prospective Millie's Reward lithium project which is being fast tracked via an extensive drilling program.

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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.

Any forecasts or other forward-looking statements contained in this announcement are subject to known and unknown risks and uncertainties and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. There are usually differences between forecast and actual results because events and actual circumstances frequently do not occur as forecast and these differences may be material.

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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 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.