

20 October 2011

## New high-grade McKay drill intercept

### HIGHLIGHTS:

- 1.7 metres at 21.9% zinc, 14.7% lead, 1.0% copper, 182 g/t silver and 2.3 g/t gold.
- Positive production progress at Hellyer Project – 6<sup>th</sup> Milling campaign.
- LN Metals concentrate marketing arrangement extended to include potential bulk lead-zinc concentrate production from retreatment of the Hellyer Tails.
- Fundraising in progress with shareholder entitlement offer closing at 5.00pm (Perth time) on Wednesday, 26 October 2011.

Polymetallic producer **Bass Metals Ltd** (ASX: **BSM**) (“**Bass**” or “**the Company**”) is pleased to provide the following update on its activities at its Hellyer site in northwest Tasmania and current fundraising progress.

### **Exploration - McKay Prospect:**

Drill hole HLD1033 intersected a narrow zone of very high grade mineralisation (1.65 metres at 21.9% zinc, 14.7% lead, 1.0% copper, 182 g/t silver and 2.3 g/t gold), confirming mineralisation intersected 25 metres to the north in HLD1030 comprising 7 metres grading 22.3% zinc, 9.9% lead, 0.7% copper, 181 g/t silver and 3.4 g/t gold. Five diamond drill holes have been completed into the new alteration and mineralised zone at the McKay Prospect for 1,813 metres (Tables 1 and 2). The zone has been defined over a vertical extent of at least 60 metres on one section, with one central high grade base metal zone in HLD 1030. Drill hole HLD 1035 is in progress to test further down dip to the south (Figure 1).

“The high grade McKay prospect intersections are very exciting for two reasons” commented Bass’ Managing Director, Mike Rosenstreich. “First, this mineralisation is within 120 metres of the Fossey mine development and could with further drilling be upgraded into resources. Secondly, and perhaps most significantly, these intercepts validate a new exploration model developed by our exploration team which opens up large tracts of ground that have had virtually no drilling, especially between the Hellyer and Que River deposits.”

### **Hellyer Project - Production Update**

Mining activities at site are progressing on schedule and consistent with budget. A new stockpile of ore comprising approximately 18,000 tonnes of ore has already been accumulated in preparation for the seventh milling campaign planned to commence in December 2011.

The sixth milling campaign commenced on 3 October 2011 and is approximately 50% complete.

- The budget plan comprised treating 67,000 tonnes grading 7.8% zinc, 4.6% lead, 0.3% copper, 79 g/t silver and 1.6 g/t gold.
- The estimate of the stockpiled ore mined consists of 67,000 tonnes grading 9.1% zinc, 5.3% lead, 0.4% copper 101 g/t silver and 1.9 g/t gold.
- As at the end of the 18 October 2011, an estimate of ore treated through the Hellyer Mill comprises 33,000 tonnes grading 8.7% zinc, 5.1% lead, 0.4% copper, 91 g/t silver and 1.8 g/t gold.

Concentrate stockpiles are currently estimated to comprise:

- Zinc concentrate - 4,250 tonnes grading 52% zinc.
- Lead concentrate - 1,750 tonnes grading 59% lead.

- Copper-silver concentrate – 200 tonnes grading 17% copper with silver and gold assays pending.

Mr Rosenstreich commented that “whilst these are interim estimates, it is certainly encouraging that the ore grades are reconciling positively. Zinc and lead concentrate production for this campaign appears to be ahead of budget, with copper concentrate somewhat behind, whilst we continue to further optimise this circuit.”

The mining issues that we encountered in early June 2011 have clearly been rectified with strong production outcomes for both ore tonnes and grade from the mine, translating into solid production results through the mill” Mr Rosenstreich added.

### ***LN Marketing Arrangements***

Bass Metals is pleased to advise that it has extended its current concentrate marketing agreements with LN Metals International Ltd, a London based metals trading Company. The new relationship includes marketing potential bulk lead-zinc concentrate production arising if the Hellyer tailings re-treatment project is restarted, as well as marketing rights for any copper-precious metals concentrate production from the Fossey East potential mine extensions.

LN Metals was established in 1998 and acts as agent and physical merchandiser for a number of metals including copper, iron, lead, zinc and cobalt. In terms of bulk concentrate they have a highly experienced team in China, the most likely destination for this type of product.

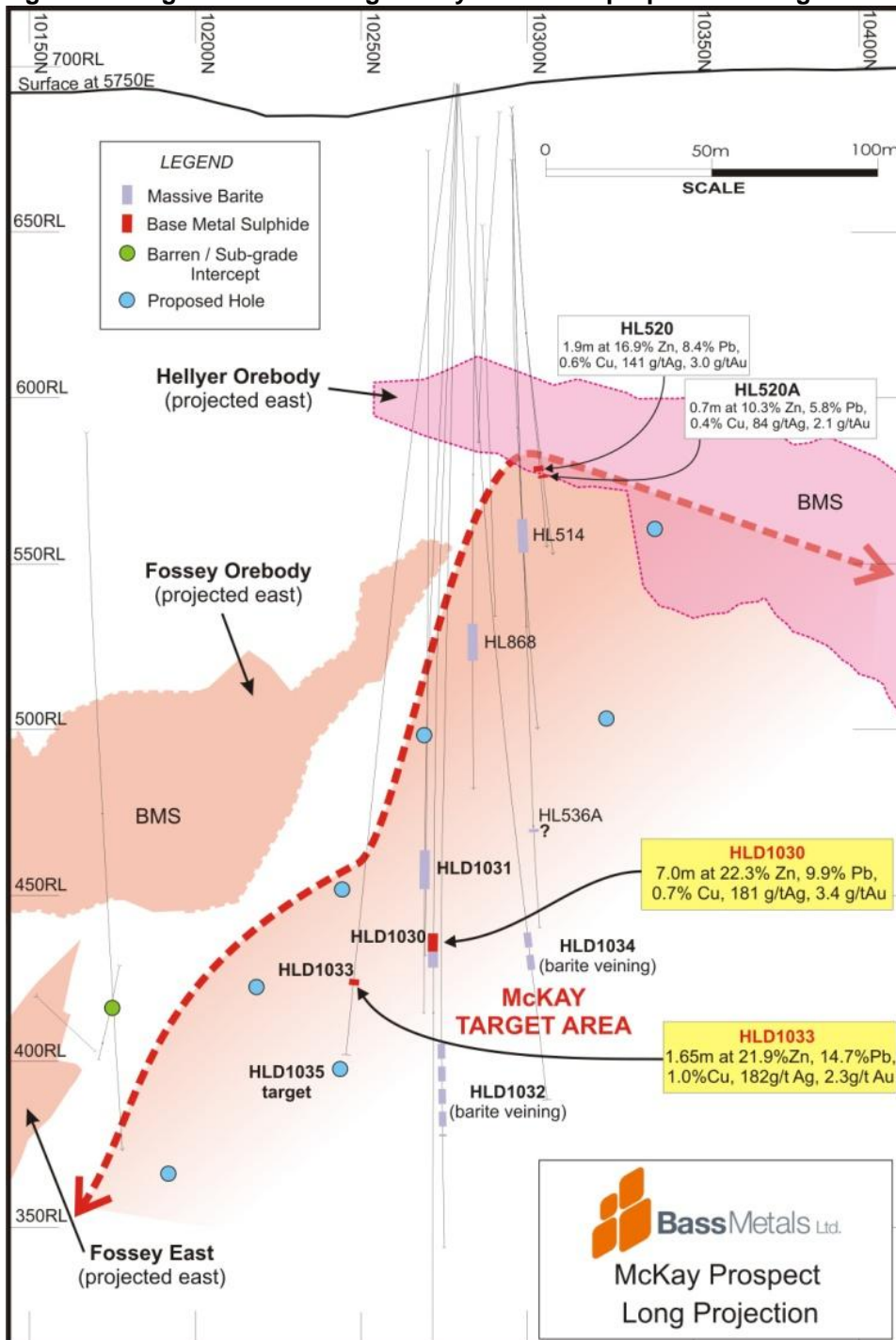
### ***Capital Raising***

The Company recently extended the open period for a Non-renounceable Entitlements Offer (“the Offer”) to existing eligible shareholders to raise up to \$10.7 million, announced on 15 September 2011. Applications to participate in the Offer must now be received by 5:00 pm (Perth time) on Wednesday, 26 October 2011.

The Company is conducting a series of Open Investor Forums in most capital cities, and actively marketing the investment opportunity to both new and existing shareholders (refer Prospectus dated 15 September 2011). Eligible shareholders have the opportunity to subscribe for one fully paid ordinary share (“New Share”) plus one free attaching new option (“New Option”) for every three existing shares held at 5.00pm (Perth time) on the Record Date of 23 September 2011. The price for each New Share is \$0.15 with a free attaching New Option, which is planned to be listed on the ASX and will have an exercise price of \$0.20 each and will expire on 30 September 2014. It is noted that Eligible shareholders may also apply for extra New Shares and New Options above their entitlement under any shortfall.

Mr Rosenstreich commented “the response to the marketing of the Offer has been positive and supportive. The exploration story has progressed significantly with the McKay drill intercepts highlighting increased prospectivity. Those very high grade intercepts from a new prospect were actually reported whilst the Company’s shares were suspended, and the Hellyer operation has been running well since late June 2011. The Board and I consider that this Offer provides a unique investment opportunity that will see the Company well funded to undertake a major exploration program.”

Figure 1: Long section showing McKay actual and proposed drilling.



**Table 1 - Drill hole intersections- McKay prospect**

From (m)	To (m)	Drilled Interval (m)	Est. True Thickness (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)	Au (g/t)
<b>HLD1030 (at &gt; 5% (Pb+Zn) cut-off)</b>								
276.7	283.7	7.0	4.9	22.3	9.9	0.7	181	3.4
<i>Within a zone (defined by barite alteration)</i>								
276.7	287.8	11.1	7.8	14.9	6.5	0.5	130	2.6
<b>HLD1031 (at &gt; 5% (Pb+Zn) cut-off) – no significant intercepts</b>								
<i>Within a zone (defined by barite alteration)</i>								
257.25	270.3	13.05	11.0	0.6	0.4	<0.1	12	1.4
<b>HLD1032 (at &gt; 5% (Pb+Zn) cut-off) – no significant intercepts</b>								
<b>HLD1033 (at &gt; 5% (Pb+Zn) cut-off)</b>								
296.35	298.0	1.65	1.2	21.9	14.7	1.0	182	2.3
<b>HLD1034 (at &gt; 5% (Pb+Zn) cut-off) – no significant intercepts</b>								

**Table 2: Drill hole details:-**

Hole ID	Grid* North	Grid East	Azimuth	Dip	Depth (m)
HLD1030	10279.2	5863.0	264	-68	470.8
HLD1031	10279.1	5861.9	264	-65	311.8
HLD1032	10281.1	5877.8	264	-71	374.0
HLD1033	10278.8	5864.8	253	-68	317.5
HLD1034	10280.0	5878.0	250	-68	338.5

\*-Hellyer Mine grid is orientated at 22.1 degrees to AMG

**COMPETENT PERSONS STATEMENTS  
EXPLORATION RESULTS**

The information within this report that relates to exploration results is based on information compiled by Mr Kim Denwer who is a full time employee of the Company. Mr Denwer is a Member of the Australian Institute of Geoscientists. Mr Denwer has sufficient experience relevant to the styles of mineralisation and types of deposits under consideration and to the activities currently being undertaken to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)" and he consents to the inclusion of this information in the form and context in which it appears in this report.

**MINERAL RESOURCES**

The information in this report that relates to the Fossey Mineral Resource estimate is based on information compiled by Mr Steve Richardson who is a fulltime employee of the company and a Member of the Australasian Institute of Mining and Metallurgy. Mr Richardson has sufficient experience which is relevant to the style of mineralisation and type of deposit and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code)". Mr Richardson consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

**ORE RESERVES**

The information in this report that relates to the Fossey Ore Reserve estimate is based on information compiled by Mr Victor Rajasooriar who is a full time employee of the Company and a Member of the Australian Institute of Mining and Metallurgy. Mr Rajasooriar has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Mineral Resources and Reserves (the JORC Code)". Mr Rajasooriar consents to the inclusion in this report of the matters based in the form and context in which it appears.

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## About Bass Metals Ltd (ASX: BSM)

Bass Metals Ltd is a growth-focused Australian base and precious metal producer with a portfolio of high quality zinc, lead, copper and gold assets in the rich Mt Read Volcanic belt in northwest Tasmania.

Listing in 2005, Bass has delivered operating profits for the past three years since 2008 based on its profitable base metals production hub at Que River in Tasmania.

The Company's larger transformational Hellyer Mine Project has commenced production from the Fossey deposit, discovered by Bass in September 2007. The planned ore treatment rate is 350,000 tonnes per annum (tpa), through the Hellyer Mill to produce 46,000 tpa of zinc concentrate, 22,000 tpa of lead concentrates and 3,000 tpa of copper-silver-gold concentrates. Bass has off-take contracts for its lead and zinc concentrates with global multi-metals business, Nyrstar, for its copper silver concentrates with LN Metals.

The Company also has an active and successful exploration programme which has yielded new discoveries such as Fossey, Fossey East and McKay as well as new exploration targets through the use of new exploration techniques not applied in the district before. The Company's has significant gold and polymetallic resources and is currently undertaking a feasibility study following on from positive scoping study outcomes indicating the potential to become a long-term, significant scale gold producer.

Bass has differentiated itself through successfully finding high grade polymetallic resources, strategically and incrementally building up its assets and production profile to now become an emerging mid-tier diversified mining business.

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