

8 August 2011

BASS METALS COMPLETES FIRST TRANCHE OF FUNDRAISING

Bass Metals Ltd (ASX:**BSM**) ("Bass" or "the Company"), is pleased to announce it has raised a total of \$4.3 million (before costs) in its first tranche of fundraising through the issue of 3.3 million Convertible Notes and \$1 million of Loan Notes on arm's length terms from Director related entities.

Each Convertible Note and Loan Note has a face value of \$1.00, a conversion price of \$0.15 per share and a free attached option. The 3.3 million Convertible Notes issue was completed under the Company's available 15% placement capacity to professional and sophisticated investors with the attached option issue being subject to shareholder approval. The Convertible Notes will be issued today and full terms are disclosed below.

The convertibility of the Loan Notes is subject to shareholder approval at a General Meeting to be convened as soon as practicable.

In addition, the Company has received a number of proposals for the provision of debt and/or equity support, in a proposed second tranche financing. Gresham Advisory Partners and Helmsec Global Capital have been retained to assist the Company in evaluating and negotiating those proposals. Until there is certainty on the second tranche financing it is the Board's intention to keep the Company's shares suspended as the Board is of the view that reinstatement of trading in the Company's shares may materially prejudice the Company's ability to successfully complete the second tranche financing. Bass Metals anticipates being able to provide an update on the second tranche of the fundraising by 24 August 2011.

Managing Director, Mr Rosenstreich acknowledged the support for the Company by the Note subscribers. "Completion of this first tranche of the fundraising represents a positive step towards the Company's goal to place itself on a more sound financial footing" he said.

The Company intends to raise additional funds in the second tranche financing in order to;

- Manage a short-term working capital deficit largely associated with the Hellyer Mine Project;
- Maintain a more comfortable working capital position; and
- Provide adequate funding to sustain a large scale exploration and feasibility study program.

The ongoing support of Bass Metals' secured lender, RMB Australia Holdings Ltd, was also acknowledged and Mr Rosenstreich reiterated that the Company is not in default on its current facilities and that RMB has not requested advancing the scheduled repayments of the outstanding \$13.6 million debt which is due to be fully repaid by 31 December 2012.

The Hellyer Mine operation located in NW Tasmania is running as planned with a smooth start to the fifth milling campaign on the 1 August, 2011 and resultant lead and zinc concentrate already stockpiled and ready for trucking to Burnie Port.

ASX Announcement



Terms of Issue of Securities

The Notes have the following key terms and conditions:

- Each \$1.00 Convertible Note will convert into 6.667 shares at a conversion price of \$0.15 per Share. If a further fundraising is undertaken by way of a Convertible Note (ie Tranche 2) and if the conversion price of any Tranche 2 convertible note issue occurring within 3 months from the date of issue of the Convertible Notes is \$0.13 or lower per Share, then the Conversion Price shall be reduced to match the conversion price of these Tranche 2 notes.
- The Convertible Notes bear interest at the rate of 11% per annum payable quarterly in advance or at the rate consistent with the interest rate on any Tranche Two convertible note issue occurring within 3 months from the date of issue of the Convertible Notes if the Tranche 2 coupon rate is greater than 12.1%.
- The Convertible Notes have a maturity date three years from the date of issue.
- Unless converted or redeemed before the maturity date, the Convertible Notes must be redeemed in full on the maturity date.
- At any time after 18 months from the issue date of the Convertible Notes, the Company has the right to redeem in full the outstanding Convertible Notes at a redemption price representing 120% of the outstanding principal amount (plus accrued but unpaid interest). The Convertible Note holders will have the opportunity to elect to convert any or all of the outstanding Convertible Notes in the event that the Company exercises this early redemption option.
- The Convertible Notes have been granted a second ranking security via a subordination agreement approved by the Company's secured lender to the Hellyer Mine Project, RMB Australia Holdings Ltd. However, this security will automatically terminate on the settlement of a Tranche 2 fundraising transaction whereby the Company is seeking to raise up to a further approximately \$20 million.

The Company has undertaken to issue, subject to shareholder approval, 22 million free attaching unlisted Options to the Convertible Note holders on the basis of 1 Option for each Share which would be issued upon conversion. The Options have an exercise price of \$0.20 and expire three years from the date of issue. If shareholder approval is not forthcoming, then a cash fee equivalent to 20% of the total face value of the Convertible Notes will be payable to the Convertible Note holders by the Company within 90 days of the shareholder meeting.

The Loan Notes from Director related entities bear interest at the same rate as the current Corporate Loan facility provided to Bass Metals by RMB Australia Holdings Ltd and are convertible into Shares, subject to shareholder approval, at \$0.15 per Share. If shareholder approval is obtained for conversion of the Loan Notes, the total value outstanding of the loans will automatically convert into Shares 5 business days after shareholder approval is granted. The Loan Notes will not convert into Shares at any other time. The Loan Notes are unsecured and the term is to 30 June 2013. The Company may repay the Loan Notes at any time prior to maturity subject to the subordination conditions with the secured lender.

The Company has also undertaken to issue, subject to shareholder approval, approximately 6.667 million free attaching unlisted Options to the Director related lenders on the basis of 6.667 Options for each Loan Note with a face value of \$1.00. The Options have the same terms and conditions as the Convertible Note holder options with an exercise price of \$0.20 per Option and an expiry date of three years from the date of issue.

In the event that shareholder approval is not received for the Loan Notes, they remain unsecured loans, interest bearing and repayable within three years from the issue date unless the Company determines to pay them out earlier.

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