

9 July 2010

The Manager Companies
Australian Stock Exchange
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

OPERATIONS UPDATE

Bass Metals Ltd (ASX:BSM) is pleased to provide the following activities update indicating that its operations remain "on track" to deliver increased production in the December quarter of 2010.

HELLYER MINE PROJECT (HMP)

Mining

The Fossey decline is at approximately 519 metres, over half way down the 911 metre total planned decline length. As largely predicted from the first geotechnical pilot drill hole, difficult ground conditions with high localised water flow were encountered over the first 350 metres which reduced the decline advance rate. Since mid-June ground conditions have improved markedly, also consistent with the pilot drill hole.

The mine development remains on schedule to meet the current production forecasts and costs are broadly in-line with the planned expenditure schedule.

Hellyer Mill

The refurbishment of the Hellyer Mill is just over 50% complete with costs to date consistent with the planned expenditure schedule.

The HMP is on schedule to be in production and selling concentrates in the December Quarter of this year. The recent decline in metal prices has brought prices down to the levels assumed by Bass in its HMP Feasibility study (e.g. zinc A\$2,150 today vs. A\$2241 in DFS, ie 4% decrease). It is encouraging to note several major global commodity experts consider the price decline is temporary and have forecast significantly higher prices for 2011, when the HMP will be in full scale production.

As at the end of March Bass had \$17.5 million in cash and a credit approved offer of project finance for \$12 million providing sufficient funding for the \$21 million required to fund the HMP development. The Company plans to access the debt facility in August 2010, after having contributed \$13 million of equity funding to the project. Drawdown of the debt facility is subject to a series of standard banking Conditions Precedent, which include a mandatory hedging programme. Bass is currently working through this prerequisite with its banker, which is challenging given the current environment of relatively low metal prices. The issue in this regard is to strike the right balance between securing project cash flows with Forward sales contracts and maintaining appropriate exposure to strengthening metal prices; while preserving credit and risk management fundamentals imposed by the company and its financier. The Company expects to resolve these issues prior to an anticipated drawing on the debt facility in August.

QUE RIVER MINE

Que River Mine ore sales in the June quarter totalled approximately 13kt. The grades were above budget at 15.6% zinc, 9% lead, 0.3% copper, 308 g/t silver and 4.3 g/t gold.

The current mine plan comprises completing the PQ North cut back in August with mining of approximately a further 12 to 14kt of ore and completion of the ore sales arrangement to MMG's Rosebery concentrator. After which the completed pits and waste dump areas will be rehabilitated before the site is placed on care and maintenance pending completion of feasibility studies to re-start mining operations based on the utilisation of Bass' Hellyer Mill to process the ore.

NEW PROJECTS

The Company is currently engaged on two separate studies; the Hellyer Tails Re-treatment pre-feasibility study, and an assessment of the potential to establish a gold recovery circuit at Hellyer. Bass was due to provide an update on the former late in May; however this has been delayed to allow the inclusion of realistic smelter terms in the financial evaluation – an activity which has taken longer to obtain than expected. Bass is continuing its discussions with several smelter groups for the sale of the resultant bulk lead-zinc concentrate and will provide a further update on the outcomes of this study as soon as practical.

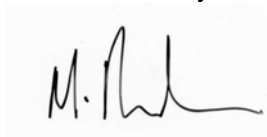
The gold processing assessment is progressing well and the Company is on track to provide some leading conclusions late this month as to whether a detailed Feasibility study on one or more process routes is warranted. To date several technically viable process routes have been identified from the very large store of historic testwork data. Work is currently focussed to produce conceptual flow sheets to generate operating and capital cost estimates to determine financial viability in the current gold price environment.

SUMMARY

Bass is approximately half way complete on its exciting new HMP mine and mill development, which will see a major lift in production and revenue based on its high grade production. The development is on schedule to meet the December quarter production targets reported previously and the capital expenditure to date is consistent with the mine development plan approved by the Bass Directors earlier this year. The Company is currently finalising the mandatory hedging component of its debt facility; which when finalised will combine with the Company's equity contribution to fully fund this development. To augment its production profile, the Company is progressing the evaluation of both the Hellyer Tailings re-treatment project and the viability of a gold recovery circuit utilising its existing Hellyer infrastructure.

I look forward to providing a more comprehensive review of the June quarter activities including exploration results in the June Quarterly Activities and Cash flow Report before the end of the month.

Yours Sincerely



Mike Rosenstreich
Managing Director