

BASS METALS TAKES CONTROL OF OPERATING GRAPHITE MINE

Highlights

- Bass Metals takes control of operations at the producing Graphmada graphite mine
- Bass Metals transitions from graphite developer to graphite miner and becomes the only ASX-listed graphite producer
- Follows approval by Stratmin Global Resources PLC shareholders late in July for the sale of the mine to Bass Metals
- The retail component of current rights issue will remain open until Friday 26 August 2016.

Bass Metals Limited (ASX: "BSM") (the "Company") is pleased to announce the successful transition of the Company from graphite developer to graphite producer subsequent to the Company taking operational control of the Graphmada Graphite Mine in eastern Madagascar. This development leaves Bass Metals the only company listed on the ASX currently producing and selling graphite concentrates.

The transition follows approval by the shareholders of Stratmin Global Resources PLC (SGR) on 29 July 2016 for the sale of the Graphmada Graphite Mine to the Company (see ASX announcement 4 April 2016).

As part of the operational transition, the Company has already implemented a number of improvements to the Graphmada operation subsequent to its own extensive due diligence and resultant broad consultation with various experts. These include the vibrating magnetic separator shown below being installed at the mine site. Fabricated on site, the separator provides improved quality assurance of the saleable product post drying. This low-cost improvement draws on the experience of local personnel and demonstrates the company's practical approach to operations management.

Additional improvements will be implemented later this year as part of a major overhaul and plant refurbishment program, focusing on raising the quality and volume of saleable product, subsequently delivering a consistently higher-value product.



Vibrating magnetic separator being installed at Graphmada

Bass Metals has engaged Perth-based Independent Metallurgical Operations Pty Ltd (IMO) who have already visited site, conducted metallurgical test work and will subsequently advise the company on the selection of the optimal plant configuration. The objectives of the IMO work are to increase throughput, recoveries and purity, while reducing sustaining capital and operating costs.

The company has also engaged South African consultant Scientific Design Pty Ltd to assess the replacement of the existing wood-fired rotary dryer, which dewateres the final graphite concentrates. Scientific Design will perform test work to identify more energy efficient drying methods that will better preserve flake size, crucial to received concentrate price.

One of alternative drying systems being assessed may use liquid propane gas (LPG) for heat generation in the drying process. This will significantly reduce the operation's environmental impact by removing the existing wood-fired oven. The potential

installation of LPG infrastructure could also enable the use of gas-fired power generators and consequentially provide a reduction in operating costs.

In preparation for its overhaul program, bulk samples have been shipped to both South Africa and Australia. Bass Metals will continue to provide operational updates to the market as the major improvement and refurbishment program progresses and operational changes are implemented.

Bass Metals CEO, Mr Tim McManus:

“The company is pleased that, in a short period of time, we have been able to scope and implement changes at Graphmada. We continue to be excited by the upside at Graphmada in applying experienced, well-funded and modern management to a mine with a proven premium product. Continued development and rapid implementation of the major improvement and refurbishment program will see Graphmada transformed into a significant supplier of graphite into traditional markets with the capacity to expand into high growth markets.”

With the continued support of its capital raising for these improvements and the recent extension of the retail component until the 26 August 2016, the Company remains confident of delivering stable, long-term value for its shareholders.

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Our Vision

To be a world leading graphite producer that can sustainably trade to market demand.

ABOUT THE GRAPHMADA LARGE FLAKE GRAPHITE MINE

Madagascar has been a recognised producer and exporter of graphite since 1907 and sets the world standard for product quality and flake size. The Graphmada Graphite Mine is situated in eastern Madagascar, approximately 100 km by sealed highway from the export port of Tamatave.



The Graphmada Mine hosts four known deposits. Recent mining activities have been focused on the Loharano deposit, while the Mahefedok deposit has also undergone trial mining as part of life-of-mine development studies. The Mahela and Ambatofafana deposits are still to be explored to their full potential.

The graphite at Graphmada is hosted in both weathered regolith and underlying graphitic gneiss, with the grade of graphitic carbon increasing with depth. All mining to date has been very shallow and low cost, with the mining horizon from 1.5m below

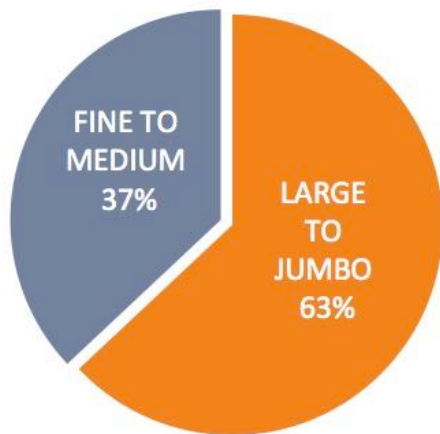
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surface to a depth of 6-8m. However, the graphite bearing regolith is known to go to depths of more than 30 metres, to the underlying hard-rock mineralisation. Mineralisation at Mahefedok alone is open along a strike of approximately 1.5km and to depth.

Graphmada Product Sold in 2015



The 140-strong workforce utilises modern facilities and infrastructure, with an on-site doctor, pharmacy, housing, offices, communications and a state-of-the-art analytical laboratory in place.

Also installed on site is a 6,000 product tonne per annum processing plant, with a drying and packaging facility, which the Company plans to improve and refurbish to increase production.

Graphmada sold approximately 1,500 product tonnes in the 2015 calendar year, with a high proportion of the product being large flake graphite at 94% or greater purity. The Graphmada brand is synonymous with quality and is well established in traditional markets.

Bass Metals will add value by leveraging Graphmada's reputation for quality, improving operational efficiencies, and expanding graphite production through a low-capital and timely expansion into a high growth market.



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