

## **BASS METALS MOVES TOWARDS PRODUCTION AT QUE RIVER AFTER CLEARING FINAL HURDLE**

- **Ore Sales Agreement signed with Zinifex Australia Ltd for Stage 1 Que River Project.**
- **Preliminary mining activities now underway, with first ore delivery expected in September.**
- **Initial 26-month project forecast to generate \$8.9M pre-tax cash surplus.**
- **Excellent potential to increase resources & reserves and extract additional high-grade ore.**
- **The first of potentially four advanced base metals projects now moving into production.**

Bass Metals Ltd (ASX: **BSM**) is set to make the first ore delivery from its 100%-owned **Que River Base Metal Project** in north-west Tasmania late next month after clearing the final development hurdle with the signing of an Ore Sales Agreement with leading Australian base metals producer Zinifex Limited (ASX: **ZFX**) covering ore production for its Stage 1 mine plan.

The emerging Perth-based base metals company said today (**Tuesday**) that site establishment and preliminary mining activities had now commenced at Que River under the management of its mining alliance partner, Mancala Mining Pty Ltd – laying the foundations for its imminent transition to production.

The Stage 1 development at Que River will comprise two open pits to extract a mining inventory comprising 115,900 tonnes grading 8.3% zinc, 4.0% lead, 0.7% copper, 105g/t silver and 2.3g/t gold, 77% of which comprises a JORC compliant Ore Reserve and 13% an Inferred Resource. Production rates are expected to average 5-8,000 tonnes of ore per month, which will be hauled 42km to Zinifex's Rosebery processing plant.

The current project life is 26 months, with mining scheduled to be completed in 18 months and stockpiled ore to be delivered for a further 8 months on current delivery schedules. There is potential to further extend the operation by converting the current Mineral Resource totalling 740,000 tonnes to Ore Reserves and extracting additional high-grade ore within the current pit design. In addition, there are numerous nearby exploration targets with the potential to increase the resource inventory.

A detailed financial analysis has been completed for the project forecasting gross revenue of \$30.7 million and a total pre-tax cash surplus of \$8.9 million after payment of all costs and royalties, achieving an operating margin of 50%. Total cash operating costs are estimated at A\$0.61/lb of payable zinc net of by-product credits. The project is forecast to achieve positive cash flow after 9 months and pay back of all capital after 13 months.

Bass Metals Managing Director, Mike Rosenstreich said: "Que River offers the opportunity to move into production with minimal start-up capital expenditure and establishment time, with the project expected to deliver approximately \$8.9 million of surplus pre-tax cash flow which we will utilise to fund our broader growth and development."

"This is a relatively straightforward project with many of the key risks mitigated through the utilisation of neighbouring processing facilities, well understood mining conditions, good infrastructure, a skilled local workforce and a mining alliance with Mancala – an experienced local mining group which has completed seven similar style operations in the region," Mr Rosenstreich continued.

"The major risk is exposure to metal prices, and we have taken steps to mitigate our exposure in this regard by embarking on a hedge program comprising purchased lead and zinc put options, to put a floor under our pricing," he added. The price assumptions used in the financial analysis were US\$3,160/tonne for zinc, US\$3,165/tonne for lead and US\$7,270/tonne for copper at an exchange rate of just under A\$0.82 to the USD.

"Bass Metals is moving into the unique position of having positive cash flow commencing from production, combined with a strong growth outlook from our portfolio of exploration and development assets in north-west Tasmania," Mr Rosenstreich said.

“In the short-term, our focus will be on extending the life of the operation by converting additional resources to reserves at areas such as QR323, Nico, S-Lens South and targeting the definition of additional resources on numerous shallow exploration targets – all of which lie in close proximity to the existing mine,” he said.

“The cash flow generated will support our broader growth objectives, which include advancing our other three advanced base metal projects at Hellyer, Farrell and Magnet, and continuing our broader regional exploration programs – which are targeting the next generation of world-class, high-grade deposits in north-west Tasmania,” Mr Rosenstreich concluded.

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### **Profile – Bass Metals Ltd**

Bass Metals Ltd (ASX: BSM) is a diversified Australian base metals and gold company focused on the exploration, evaluation and rapid development of a quality portfolio of mineral assets in north-west Tasmania, backed by alliances with zinc producer Zinifex Limited and TSX-V listed Geoinformatics Exploration Inc.

Bass Metals is set to become a new Australian zinc producer through the commencement of production from the 100%-owned Que River project in a mining alliance with Mancala Pty Ltd. Ongoing drilling has indicated substantial potential to define further high-grade reserves, from the current resource of approximately 550,000 tonnes with grades of up to 25% zinc, 10% lead, 13oz/t silver and 11g/t gold. A binding Ore sales & Purchase Agreement has recently been signed with Zinifex Limited operator of the nearby Rosebery flotation plant. The rapid start-up of production at Que River will enable Bass Metals to take advantage of current strong zinc prices.

In February 2007, Bass Metals launched a major new exploration initiative targeting newly identified high-grade copper and zinc targets surrounding the world-class Hellyer Mine in north-west Tasmania. Hellyer has a published pre-mining Mineral Resource of 16.9 million tonnes grading 13.8% zinc, 7.2% lead, 0.4% copper, 167g/t silver and 2.5g/t gold. With the start-up of production at Que River, this Hellyer Mine Project initiative is designed to underpin the rapid development of a ‘pipeline’ of production and near-production opportunities within this prolific mineral belt.

Reflecting the intense and diverse ore deposits occurring in the NW of Tasmania the Company also has the Mt Charter gold-silver project, which has an initial resource of 380,000 gold-equivalent ounces with several other drill-indicated gold targets on its large tenement holding. Accentuating that diversity of mineralisation Bass Metals has also recently commenced nickel and PGM exploration on its Heazlewood tenement which has small scale historic nickel and PGM mine workings.

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