

Bass production at Que River

Tuesday, 28 August 2007

PRELIMINARY mining activities have begun at Bass Metals' Que River zinc-lead project in north-west Tasmania, with the first ore expected to be delivered to Zinifex's Rosebery processing plant next month.

The Perth-based company has finalised the ore sales agreement with Zinifex and production is expected to average between 5-8000 tonnes of ore per month.

The 115,900t of ore contain 8.3% zinc and 4% lead, as well as copper, silver and gold.

The expected life of the project is 26 months, with mining completed in 18 months and stockpiled ore to be processed over the remaining eight months.

A financial analysis gave an operating margin of 50%, with positive cash flow after nine months.

Price assumptions in the analysis were \$US3160 per tonne for zinc, \$US3165/t for lead and \$US7270/t for copper, at an exchange rate of just under \$AU0.82 to the US dollar.

Bass managing director, Mike Rosenstreich, said the project's major risk is exposure to metal prices, which have not been strong of late after achieving record highs earlier this year.

"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 said.

Bass signed an agreement with Zinifex in June to sell all its Que River ore to the Rosebury plant from the first stage of its mine plan.

The agreement also gives Zinifex first right of refusal to purchase ore from any further developments.

Shares in Bass were trading at 32.5c in morning trade, down 0.5c.



Bass Metals' managing director Mike Rosenstreich examining drill core from the Que River polymetallic project

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