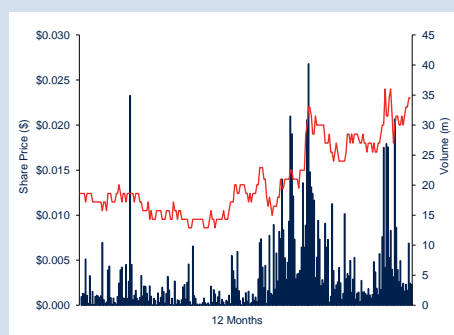


BCP Equities

9 March 2018

ASX Code	BSM
Shares on issue (m)	2,219.7
Share price	\$0.021
Market Cap (m)	\$46.601
Est. Cash 31 December 2017 (m)	\$3.236
Est. Debt 31 December 2017 (m)	\$0.0
Enterprise Value(m)	\$43.365



12 month high	\$0.026
12 month low	\$0.007
Daily turnover (m)	3.185
Recommendation	Speculative Buy
Valuation	\$0.054

Directors and Management

Rick Anthon	Non-Executive Chairman
Peter Wright	Executive Director
Jeffery Marvin	Non-Executive Director
Tim McManus.....	Chief Executive Officer
David Round	Chief Financial Officer

Bass Metals Limited – Moving into Production

INVESTMENT SUMMARY

Bass Metals Ltd (BSM) has successfully completed the refurbishment of the processing plant at the Graphmada Graphite Mine and production is now ramping up to Stage 1 capacity of 6,000tpa of graphite concentrate. This will provide BSM with positive operating cash flows and the opportunity to establish its product in high-value applications such as lithium-ion battery components, expandable graphite, foundries, crucibles and refractories.

The transition to profitable production and the operational experience gained at Graphmada provides an excellent platform for BSM to step operations up to Stage 2 production of 20ktpa. Part of this platform is the significant portion of infrastructure, paid for and constructed as part of Stage 1. It is also a positive that the resource inventory already defined is sufficient to maintain Stage 2 production rates for 14 years (assume a recovery of 75%). There is also considerable upside to the mine life and/or production profile with two deposits, Mahela and Ambatofafana, still unexplored.

In addition to the value drivers from Graphmada, BSM has secured the highly prospective hard rock lithium project, Millie's Reward. Millie's Reward is a particularly exciting prospect with outcropping pegmatites across an 8km strike that contain significant spodumene mineralisation. Rock chip samples have returned assays as high as 7.08% Li₂O. Based on the encouraging surface expressions, the experienced management and board of BSM have formulated an exploration strategy that will give the company the best chance of achieving its objective of defining a large high grade JORC compliant resource. In terms of news flow the company has begun assessment and target generation with a maiden exploration drilling program expected in the second half of the year.

The company's second graphite project, Andapa, has returned some encouraging results from a recent drill program including 10m @ 5.5.C%. BSM will continue to build on the geological knowledge being developed to define a resource that could supply the company's second graphite processing plant in Madagascar.

The board and management of BSM have also delivered corporately. They have employed key personnel at Graphmada with the expertise to deliver commercial success. They have completed a binding offtake agreement for 50% of Stage 1 production for three years. This provides some certainty to sales, allows the engagement of new customers and provides upside to the graphite price. They have also completed a significant capital raising that ensures the completion of Stage 1 at Graphmada, provides adequate funding for initial exploration at Millie's Reward and Andapa and a material working capital facility for operations.

A Speculative Buy recommendation has been maintained with a revised price target of \$0.054/share. The price target has increased due to the capital expenditure of Stage 1 being completed and increased graphite prices. However, these positives were offset by a larger than expected capital raising. The Net Asset Value is primarily derived from the estimated value of Graphmada and the funds that are likely to be received from the outstanding options. The price target takes into account the dilution if these options are exercised. The option premiums will be sufficient to fund Stage 2 capital requirements and provided the increased working capital requirements of a larger operation.

Positive catalysts over the next twelve months include the operational success of Graphmada, and exploration success at Millie's Reward and Andapa.

Note: all values in Australian Dollars unless otherwise stated

BCP Equities Pty Ltd

ABN 49 145 857 512

Corporate Authorized Representative of

Centec Securities Pty Ltd

AFS Licence No. 240877

Level 9, Waterfront Place, 1 Eagle Street
BRISBANE QLD 4000

GPO Box 1164
BRISBANE QLD 4001

Email: admin@bizzellcapital.com

Bass Metals Limited (BSM)

Current Price = \$0.021

Price Target = \$0.054

Profit & Loss (A\$m)	2016A	2017A	2018F	2019F	2020F		A\$m	A\$/sh			
Sales Revenue	0.0	0.3	3.7	14.4	28.3	Stage 1	6.0	0.002			
Other Income	2.6	0.3	0.1	0.5	14	Stage 2	134.9	0.045			
Operating Costs	12	11	2.2	4.9	9.0	Millie's Reward	5.0	0.002			
Exploration Exp.	0.0	3.2	0.0	0.0	0.0	Unpaid capital	18.7	0.006			
Corporate/Admin	0.5	6.0	2.0	12	12	Corporate	(6.3)	(0.002)			
EBITDA	0.9	(9.6)	(0.4)	8.7	19.5	Cash	3.1	0.001			
D & A	0.0	0.0	0.0	0.1	0.7	Debt	(0.6)	(0.000)			
EBIT	0.9	(9.6)	(0.4)	8.6	18.8						
Interest	0.0	0.0	0.0	0.0	0.0	NAV (@ 10% discount rate)	160.7				
Operating Profit	0.9	(9.6)	(0.5)	8.6	18.7	Price Target		0.054			
Tax expense	0.0	0.0	0.0	0.0	0.0						
FX Adjustment	0.0	0.0	0.0	0.0	0.0	Target Price Sensitivity	-10%	0%			
Abnormals	0.0	0.0	0.0	0.0	0.0		+10%	Change			
NPAT	0.9	(9.6)	(0.5)	8.6	18.7	FX (A\$:US\$)	0.063	0.054			
						Price	0.046	0.054			
						Grade	0.048	0.054			
						Operating costs	0.056	0.054			
Normalised NPAT	0.9	(9.6)	(0.5)	8.6	18.7		0.047	0.047			
							-13%	-13%			
							15%	15%			
							11%	11%			
							-3%	-3%			
Cash Flow (A\$m)	2016A	2017A	2018F	2019F	2020F	Commodity Assumptic	2016A	2017A	2018F	2019F	2020F
Adjusted Net Profit	0.9	(9.6)	(0.5)	8.6	18.7	A\$:US\$	0.75	0.74	0.78	0.78	0.78
Interest, Tax & Exploration	(0.2)	(0.6)	(0.4)	(0.4)	0.0	Mesh +50 (US\$/t)	1250	1,250	1,325	1,400	1,400
- Interest/Tax/Expl Inc	0.2	3.8	0.5	0.5	0.5	Mesh +80 (US\$/t)	1,000	1,000	1,000	1,000	1,000
+D & A	0.0	0.0	0.0	0.1	0.7	Mesh -80 (US\$/t)	800	800	800	800	800
+/- Other	0.3	5.1	1.0	0.0	0.0						
Operating Cashflow	0.9	(9.0)	(0.3)	7.8	19.1	Production Summary	2016A	2017A	2018F	2019F	2020F
- Capex	0.0	5.1	2.8	10.3	0.2	Production (kt)					
- Working Capital Increase	0.0	0.0	0.0	0.0	0.0	Mesh +50	0.0	0.2	0.8	3.5	6.3
Free Cashflow	0.9	(14.0)	(3.1)	(2.5)	18.9	Mesh +80	0.0	0.3	1.0	4.0	7.4
- Dividends	0.0	0.0	0.0	0.0	0.0	Mesh -80	0.0	0.3	1.0	4.0	7.4
+Equity raised	1.3	8.6	6.5	18.7	0.0	Total	0.0	0.8	2.8	11.6	21.0
+Debt drawdown (repaid)	0.0	0.6	0.0	0.0	0.0	Summary					
Net Change in Cash	0.1	0.8	3.4	16.6	18.9	Cash Costs (A\$/t)			809	422	426
Cash at End Period	0.2	1.0	4.3	21.0	39.8	All-in Sustaining Costs (A\$/t)			1,700	583	511
Net Cash/(LT Debt)	0.2	0.3	3.7	20.3	39.2	Price (A\$/t)			1,323	1,242	1,346
Balance Sheet (A\$m)	2016A	2017A	2018F	2019F	2020F	Reserves & Resources					
Cash	0.2	1.0	4.3	21.0	39.8	Resources					
Total Assets	6.9	10.6	17.2	44.4	63.1	Indicated			M t	grade (%)	TGC (kt)
Total Debt	0.7	0.6	0.6	0.6	0.6	Inferred			12	4.6%	55.0
Total Liabilities	1.8	2.8	3.4	3.4	3.4	Total			8.0	4.1%	327.2
Shareholders Funds	5.2	7.8	13.8	41.0	59.8				9.2	4.2%	382.2
						Directors and Management					
Ratios						Name					Position
PE Ratio (x)	29.3	-4.6	-127.0	7.3	3.3	Rick Anthon					Non-Executive Chairman
Net Debt/Equity (%)	na	na	na	na	na	Peter Wright					Executive Director
Interest Cover (x)	na	na	na	na	na	Jeffery Marvin					Non-Executive Director
Return on Equity (%)	17.0	na	na	20.8	31.3	Tim McManus					Chief Executive Officer
Return on Assets (%)	15.8	-109.8	-3.5	27.8	34.8	David Round					Chief Financial Officer
Return on Capital (%)	17.0	-108.5	-3.0	20.4	30.9						
Price to Book (x)	1.9	3.7	3.4	1.1	0.8						

Disclaimer

Whilst BCP Equities Pty Ltd ABN 49 145 857 512, its related entities including Bizzell Capital Partners Pty Ltd ABN 38 118 741 012 (BCP), associates and each of their respective directors, officers, employees, contractors and agents (together the '**BCP Group**') believe the information contained in this communication is based on reliable information, no guarantee or warranty is given as to its accuracy, reliability or completeness and persons relying on this information do so at their own risk.

Any advice contained in this document is general advice. It has been prepared without taking account of any person's objectives, financial situation or needs and because of that, any person should, before acting on the advice, consider the appropriateness of the advice, having regard to the client's objectives, financial situation and needs.

This report does not constitute an offer or invitation to purchase any securities and should not be relied upon in connection with any contract or commitment whatsoever. Any issue or recommendation contained herein may not be suitable for all investors. BCP Group are not obliged to update you if the information or its advice changes.

Any projections contained in this communication are estimates only. Such projections are subject to market influences and contingent upon matters outside the control of the BCP Group and therefore may not be realised in the future.

Before making an investment decision an individual should assess whether it meets their own needs and consult a financial advisor (and other professional advisors as needed) and the product disclosure statement/ prospectus in respect of the financial product.

To the maximum extent permitted by law, BCP Group disclaims all liability to any person relying on the information contained in this communication in respect of any loss or damage (including consequential loss or damage) however caused, which may be suffered or arise directly or indirectly in respect of such information.

Disclosure of interests

Mr Peter Wright, a director of BSM is employed by BCP. BCP Group advise that at the date of this report, both BCP Group and the analyst hold shareholding interests in Bass Metals Limited. BCP Group advises that it may earn brokerage, commission, fees or other benefits and advantages, direct or indirect, in connection with the making of a recommendation or dealing by a client in BSM's securities. Some or all of BCP Group's Authorised Representatives may be partly or wholly remunerated by way of commission.

BCP Group has been engaged by BSM to produce this research report and is being paid a fee for its preparation.

BCP was also the joint lead manager and underwriter to the capital raising undertaken by BSM in September 2017 and received capital raising and underwriting fees (including the issue of options) in this regard and BCP also receives ongoing corporate advisory fees from BSM. BCP also acted as a lead manager for other capital raisings undertaken by BSM in the last two years and received fees in this regard. In the future, BCP Group may provide capital raising services or advisory services to BSM on commercial terms.

Analyst certification and disclosure of interest

The analyst certifies that the views expressed in this research accurately reflect their personal views about the subject securities. The analyst holds an interest in this company.

BCP Equities Pty Ltd
ABN 49 145 857 512
Corporate Authorised Representative of
Centec Securities Pty Ltd
AFS Licence No. 240877
Level 9, Waterfront Place, 1 Eagle Street
BRISBANE QLD 4000
Postal Address: GPO Box 1164
BRISBANE QLD 4001
Phone: (07) 3212 9200