

19 August 2011

Dear Shareholder

**FIRST TRANCHE OF FUNDRAISING**

I am pleased to enclose documentation for an important meeting of shareholders to be held on 26 September 2011.

The purpose of the meeting is to seek your approval of various resolutions relating to recent capital raising activities of the company.

On 8 August 2011, Bass Metals announced the raising of \$4.3 million (before costs) in its first tranche of fundraising through the issue of \$3.3 million of Convertible Notes to professional and sophisticated investors and \$1.0 million of Loan Notes on arm's length terms to Director related entities.

Each Convertible Note and Loan Note has a face value of \$1.00, a conversion price of \$0.15 per share and a free attached \$0.20 option exercisable on or before the expiry date which will be three years from the date of issue. The attaching option and the convertibility of the Loan Notes are subject to shareholder approval at the forthcoming meeting.

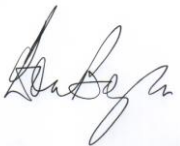
The board would like to thank the Convertible Note subscribers for providing working capital to continue the business which has delivered the initial foundation to provide a more stable financial base. A number of Directors, myself included, have also advanced funds to the Company, on arm's length terms, to assist in this process.

Bass continues to progress a number of initiatives to secure a second tranche of funding for working capital and growth purposes. The Company continues to maintain the support of its financiers as we progress the recapitalisation programme.

As soon as the Company is able to provide a further update in relation to the timing and progress of the above mentioned matters, the Company will make a more detailed announcement to shareholders and the market.

In the meantime, the board looks forward to your support in relation to the resolutions to be presented at the meeting on 26 September 2011 and providing an update on the performance of the Hellyer Mine operation, which continues to operate normally.

Yours sincerely



**Don Boyer**  
Chairman

For personal use only



**ACN 109 933 995**

**NOTICE OF GENERAL MEETING  
AND  
EXPLANATORY STATEMENT  
TO SHAREHOLDERS**

**NOTICE IS INCLUDED FOR  
THE GENERAL MEETING OF SHAREHOLDERS  
TO BE HELD ON  
MONDAY, 26 SEPTEMBER 2011 AT 10.00AM  
AT THE CELTIC CLUB, 48 ORD STREET, WEST PERTH**

**IMPORTANT INFORMATION**

This is an important document that should be read in its entirety.  
If you do not understand it, or any part of it,  
you should consult with your professional advisers without delay.

**You are encouraged to attend the meeting, but if you cannot, you are requested to  
complete and return the enclosed Proxy Form without delay to**

**Bass Metals Ltd at  
16 Thelma Street, West Perth WA 6005  
or by mail to PO Box 1330, West Perth WA 6872  
or by facsimile on facsimile number (+61 8) 9481 2846**



ACN 109 933 995

## NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of Bass Metals Ltd ("Bass Metals" or "the Company") will be held as follows:

**TIME:** 10.00am

**DATE:** Monday, 26 September 2011

**LOCATION:** The Celtic Club, 48 Ord Street, West Perth

**This is an important document that should be read in its entirety.  
If you do not understand it, you should consult with your professional advisers without delay.**

**If you wish to discuss any aspects of this document with the Company, please contact  
Mr. Michael Rosenstreich, Managing Director, or Ms. Susan Hunter, Company Secretary,  
of Bass Metals Ltd on +61 8 6315 1300.**

Words and phrases used in the Resolutions are defined in Section 4 of the accompanying Explanatory Statement and these words and phrases have the same meaning in this Notice of General Meeting as defined in the Explanatory Statement.

### BUSINESS

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#### RESOLUTION 1: RATIFICATION OF CONVERTIBLE NOTE ISSUE

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**"That for the purposes of Listing Rule 7.4 and for all other purposes, the issue on 8 August 2011 of 3.3 million Convertible Notes on the terms and conditions set out in the Explanatory Statement be approved and ratified."**

**Short Explanation:** The Directors seek Shareholder approval and ratification of the issue of 3.3 million Convertible Notes to professional and sophisticated investors, on the terms and conditions set out in the Explanatory Statement, to refresh the Company's ability to issue up to 15% of its issued capital without shareholder approval under Listing Rule 7.1. The issue of the 3.3 million Convertible Notes raised \$3.3 million which was used to assist in managing the short-term working capital requirement associated with the Hellyer Mine Project.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by a person who participated in the issue and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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## RESOLUTION 2: APPROVAL OF OPTION ISSUE

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

**“That for the purposes of Listing Rule 7.1 and for all other purposes, approval be given to issue 22 million Options to the subscribers for the Convertible Notes on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** In consideration of the support for the Company by the subscribers for the Convertible Notes investing \$3.3 million in the Company, and pursuant to the Company's undertaking to those subscribers to do so, the Directors seek shareholder approval to issue 22 million Options to those subscribers, on the terms and conditions set out in the Explanatory Statement, to refresh the Company's ability to issue up to 15% of its issued share capital without shareholder approval under Listing Rule 7.1.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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## RESOLUTION 3: APPROVAL OF ISSUE OF SHARES TO ASSOCIATE OF D. BOYER

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

**“That, subject to the passing of each of Resolutions 4 and 5, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given to issue 1,666,667 Shares to David Donald Boyer as trustee for the DB Family Trust, an Associate of Mr. Boyer, on conversion of an unsecured \$250,000 loan made by him to the Company through the subscription for \$250,000 of Loan Notes on 8 August 2011 at a conversion price of \$0.15 per Share on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** Under Listing Rule 10.11, any issue of securities to a Related Party requires prior shareholder approval. For the purposes of Listing Rule 10.11, David Donald Boyer as trustee for the DB Family Trust is a Related Party of the Company and therefore shareholder approval is being sought to allow the issue of Shares on conversion of his existing unsecured loan to the Company made through his subscription for \$250,000 of Loan Notes.

**Note to Shareholders:**

The passing of Resolution 3 is conditional upon the passing of each of Resolutions 4 and 5.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by David Donald Boyer, both in his personal capacity and in his capacity as trustee for the DB Family Trust, and any person or entity who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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## RESOLUTION 4: APPROVAL OF ISSUE OF SHARES TO ASSOCIATES OF C. MCGOWN

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

**“That, subject to the passing of each of Resolutions 3 and 5, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given to issue 1,000,000 Shares to Ionikos Pty Ltd and 666,667 Shares to Resource Investment Capital Advisors Pty Ltd, each an Associate of Mr. McGown, on conversion of \$250,000 in unsecured loans made to the Company by them through the subscription for \$250,000 of Loan Notes on 8 August 2011 at a conversion price of \$0.15 per Share on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** Under Listing Rule 10.11, any issue of securities to a Related Party requires prior shareholder approval. For the purposes of Listing Rule 10.11, Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd are Related Parties of the Company and therefore shareholder approval is being sought to allow the issue of Shares on conversion of their existing unsecured loan to the Company made through their subscription for \$250,000 of Loan Notes.

**Note to Shareholders:**

The passing of Resolution 4 is conditional upon the passing of each of Resolutions 3 and 5. If Resolution 3 is not passed, Resolution 4 will not be put to the General Meeting.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Ionikos Pty Ltd, Resource Investment Capital Advisors Pty Ltd, C. McGown, and any person or entity who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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**RESOLUTION 5: APPROVAL OF ISSUE OF SHARES TO ASSOCIATE OF T. TREASURE**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

**“That, subject to the passing of each of Resolutions 3 and 4, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given to issue 3,333,333 Shares to Metals Finance Limited, an Associate of Mr. Treasure, on conversion of an unsecured \$500,000 loan made to the Company by it through the subscription for \$500,000 of Loan Notes on 8 August 2011 at a conversion price of \$0.15 per Share on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** Under Listing Rule 10.11 of the Listing Rules, any issue of securities to a Related Party requires prior shareholder approval. For the purposes of Listing Rule 10.11, Metals Finance Limited is a Related Party of the Company and therefore shareholder approval is being sought to allow the issue of Shares on conversion of its existing unsecured loan to the Company made through its subscription for \$500,000 of Loan Notes.

**Note to Shareholders:**

The passing of Resolution 5 is conditional upon the passing of each of Resolutions 3 and 4. If either of Resolutions 3 or 4 is not passed, Resolution 5 will not be put to the General Meeting.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Metals Finance Limited, T. Treasure, and any person or entity who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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**RESOLUTION 6: APPROVAL OF ISSUE OF OPTIONS TO ASSOCIATE OF D. BOYER**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

**“That, subject to the passing of each of Resolutions 7 and 8, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given to issue 1,666,667 Options to David Donald Boyer as trustee for the DB Family Trust on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** Under Listing Rule 10.11, any issue of securities to a Related Party requires prior shareholder approval. For the purposes of Listing Rule 10.11, David Donald Boyer as trustee for the DB Family Trust is a Related Party of the Company. Accordingly, shareholder approval is being sought to allow the issue of Options to him in accordance with the terms of his provision of a \$250,000 unsecured loan to the Company by way of his subscription for \$250,000 of Loan Notes on 8 August 2011.

**Note to Shareholders:** The passing of Resolution 6 is conditional upon the passing of each of Resolutions 7 and 8.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by David Donald Boyer, both in his personal capacity and in his capacity as trustee for the DB Family Trust, and any person or entity who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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#### **RESOLUTION 7: APPROVAL OF ISSUE OF OPTIONS TO ASSOCIATE OF C. MCGOWN**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

**“That, subject to the passing of each of Resolutions 6 and 8, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given to issue 1,000,000 Options to Ionikos Pty Ltd and 666,667 Options to Resource Investment Capital Advisors Pty Ltd, each an Associate of Mr. McGown, on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** Under Listing Rule 10.11 of the Listing Rules, any issue of securities to a Related Party requires prior shareholder approval. For the purposes of Listing Rule 10.11, Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd are Related Parties of the Company. Accordingly, shareholder approval is being sought to allow the issue of Options to them in accordance with the terms of their provision of \$250,000 in unsecured loans to the Company by way of their subscription for \$250,000 of Loan Notes on 8 August 2011.

**Note to Shareholders:** The passing of Resolution 7 is conditional upon the passing of each of Resolutions 6 and 8. If Resolution 6 is not passed, Resolution 7 will not be put to the General Meeting.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Ionikos Pty Ltd, Resource Investment Capital Advisors Pty Ltd, C. McGown, and any person or entity who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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#### **RESOLUTION 8: APPROVAL OF ISSUE OF OPTIONS TO ASSOCIATE OF T. TREASURE**

To consider, and if thought fit, pass the following resolution as an ordinary resolution:

**“That, subject to the passing of each of Resolutions 6 and 7, for the purposes of Listing Rule 10.11 and for all other purposes, approval be given to issue 3,333,333 Options to Metals Finance Limited, an Associate of Mr. T. Treasure, on the terms and conditions set out in the Explanatory Statement.”**

**Short Explanation:** Under Listing Rule 10.11 of the Listing Rules, any issue of securities to a Related Party requires prior shareholder approval. For the purposes of Listing Rule 10.11, Metals Finance Limited is a Related Party of the Company. Accordingly, shareholder approval is being sought to allow the issue of Options in accordance with the terms of its provision of a \$500,000 unsecured loan by way of its subscription for \$500,000 of Loan Notes on 8 August 2011.

**Note to Shareholders:** The passing of Resolution 8 is conditional upon the passing of each of Resolutions 6 and 7. If either of Resolutions 6 or 7 is not passed, Resolution 8 will not be put to the General Meeting.

**Voting Exclusion Statement:** The Company will disregard any votes cast on this Resolution by Metals Finance Limited and T. Treasure, and any person or entity who may obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed, and their respective Associates except as described under the heading VOTING EXCLUSIONS below.

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#### **VOTING EXCLUSIONS**

Where a voting exclusion applies to a Resolution under the Listing Rules, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

## EXPLANATORY STATEMENT

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of General Meeting for further explanation of the Resolutions.

## PROXIES

Members are encouraged to attend the meeting, but if you are unable to attend the meeting, we encourage you to complete and return the enclosed proxy form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has the right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of the General Meeting as soon as possible and either:

- send the Proxy Form by facsimile to the Company on +61 8 9481 2846;
- post the Proxy Form to the Company at PO Box 1330, West Perth WA 6872; or
- deliver the Proxy Form to the registered office of the Company at 16 Thelma Street, West Perth WA 6005.

To be effective, a Proxy Form and, if the Proxy Form is signed by the shareholder's attorney, the authority under which the appointment is signed (or a certified copy of that authority) must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.

### *Effect of recent amendments to the Corporations Act on proxy voting*

Shareholders and their proxies should be aware that new sections 250BB and 250BC of the Corporations Act took effect on 1 August 2011 and apply to voting by proxy on or after that date. Broadly, the changes mean that if proxy holders vote, they must cast all directed proxies as directed; and any directed proxies that are not voted will automatically default to the chairperson of the meeting, who must vote the proxies as directed. More detail on these recent changes is provided below.

### *Proxy vote if appointment specifies way to vote*

Section 250BB provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);
- if the proxy has two or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;
- if the proxy is the chairperson of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chairperson of the meeting – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

### *Transfer of non-chairperson proxy to chairperson in certain circumstances*

Section 250BC provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the company's members;
- the appointed proxy is not the chair of the meeting;
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
  - if a record of attendance is made for the meeting - the proxy is not recorded as attending the meeting;
  - the proxy does not vote on the resolution,the chairperson of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

## CORPORATE REPRESENTATIVES

A body corporate that is a shareholder, or which has been appointed as proxy, may appoint an individual to act as its representative at the General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should bring to the meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to the Company.

## DATE FOR DETERMINING HOLDERS OF SHARES

For the purposes of regulation 7.11.37 of the Corporations Act, the Directors have set 10am WST on 24 September 2011 as the time and date to determine who are the Shareholders in the Company for the purposes of the General Meeting. Accordingly share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the General Meeting.

Dated this 19 August 2011

By order of the Board



Susan Hunter  
Company Secretary





ACN 109 933 995

## EXPLANATORY STATEMENT TO SHAREHOLDERS

### 1. ACTION TO BE TAKEN BY SHAREHOLDERS

This Explanatory Statement sets out information about the Resolutions to be considered by the Shareholders at the General Meeting. Defined terms used in this Statement are set out in Section 4. Accompanying this Statement is the Notice of General Meeting convening the General Meeting and a Proxy Form.

Shareholders are encouraged to attend and vote on each of the Resolutions to be put to the General Meeting. If a Shareholder is not able to attend and vote at the General Meeting, the Shareholder may complete the Proxy Form and return it to the registered office of the Company at the address which appears on the Notice of Meeting not later than 48 hours before the time specified for the commencement of the General Meeting.

### 2. PURPOSE OF THE GENERAL MEETING

The General Meeting has been convened for the purpose of considering the Resolutions, which are set out in the Notice of General Meeting and explained in more detail below.

### 3. RESOLUTIONS

#### 3.1. Resolution 1: Ratification of Convertible Note Issue

On 11 July 2011, Bass Metals announced that it had requested a trading halt of its securities on the ASX pending completion of an approximately \$25 million re-financing transaction to support an updated Hellyer Mine Project operating plan. The \$25 million is intended to be used to (i) manage a short-term working capital requirement largely associated with the Hellyer Mine Project; (ii) maintain an adequate minimum working capital position; and (iii) provide adequate funding to sustain a large scale exploration and feasibility study program.

On 8 August 2011, the Company announced completion of the first tranche of this fundraising to raise a total of \$4.3 million (before costs) through:

- the issue of \$3.3 million of Convertible Notes to professional and sophisticated investors (as defined under section 708 of the Corporations Act); and
- the issue of \$1 million of Loan Notes, representing unsecured loans on commercial arm's length terms from Director related entities.

The Company is considering, and in negotiations on, a number of proposals for the provision of debt and equity to raise up to approximately a further \$20 million, which will comprise the second tranche of this fundraising ("Tranche 2 Fundraising"). The Company has retained Gresham Advisory Partners and Helmsec Global Capital to assist the Company in evaluating and negotiating those proposals. Until there is greater certainty on the Tranche 2 Fundraising, it is the Board's intention to keep the Shares suspended from trading on ASX. The Company anticipates being able to provide an update on the Tranche 2 Fundraising by 24 August 2011.

As part of the consideration for the issue of the Convertible Notes, the Company has undertaken to the subscribers for the Convertible Loan Notes to issue them, subject to Shareholder approval (which is sought by way of Resolution 2), 22 million unlisted Options on the basis of one Option for each Share which would be issued on conversion of each of their Convertible Notes at a conversion price of \$0.15 per Share.

The 3.3 million Convertible Notes each have a face value of \$1.00 per Convertible Note and are convertible into Shares at a conversion price of \$0.15 per Share. If the Company issues further convertible notes as part of the Tranche 2 Fundraising within three months from the date of issue of the Convertible Notes ("Tranche 2 Convertible Notes") and the conversion price of such Tranche 2 Convertible Notes is less than \$0.135 per

Share, then the conversion price of the Convertible Notes shall be reduced to match the conversion price of the Tranche 2 Convertible Notes. At a conversion price of \$0.15 per Share, the 3.3 million Convertible Notes are convertible into 22 million Shares.

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval. Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period equity securities, including securities with rights of conversion to equity (such as options), if the number of those securities exceeds 15% of the number of fully paid ordinary shares on issue at the commencement of that 12 month period. The number of equity securities that may be issued by a company under Listing Rule 7.1 without shareholder approval is not impacted by the issue of equity securities that have received shareholder approval.

Listing Rule 7.4 provides that an issue under Listing Rule 7.1 is treated as having been made with Shareholder approval if each of the following applies:

- the issue did not breach Listing Rule 7.1 when made; and
- Shareholders subsequently approve it.

In this regard the issue of the 3.3 million Convertible Notes on 8 August 2011 was within the Company's 15% limit and subsequent approval under Listing Rule 7.4 is now being sought in order to reinstate the 15% limit.

In accordance with Listing Rule 7.5 the following information is provided in relation to Resolution 1 to assist Shareholders decide whether or not to vote in favour of Resolution 1:

**Number of Convertible Notes issued:** 3.3 million Convertible Notes, each with a face value of \$1 and a conversion price of \$0.15 per Share, subject to the potential adjustment described above, were issued on 8 August 2011.

**Number of Shares to be Issued on Conversion of the Convertible Notes:** The number of Shares to be issued by the Company on conversion of the Convertible Notes is the amount calculated by dividing the aggregate \$3.3 million face value of the Convertible Notes by the conversion price applicable to the Convertible Notes, which is \$0.15 per Share subject to the adjustment mechanism described above. If no adjustment to the conversion price is required, the number of Shares to be issued is 22 million. If, however, as part of the Tranche 2 Fundraising, the Company issues any Tranche 2 Convertible Notes with a conversion price of less than \$0.135 per Share, the conversion price of the Convertible Notes will be reduced to match that applicable to the Tranche 2 Convertible Notes and the number of Shares to be issued on conversion of the Convertible Notes will be increased in accordance with this formula.

**Issue Price:** The 3.3 million Convertible Notes were issued for total consideration of \$3.3 million (i.e. \$1 per Convertible Note).

**The Convertible Notes have the following key terms and conditions:**

- The Convertible Notes are convertible into Shares at a conversion price of \$0.15 per Share (being 6.667 Shares per Convertible Note). If the Company issues Tranche 2 Convertible Notes as part of the Tranche 2 Fundraising within 3 months from the date of issue of the Convertible Notes and the conversion price of such Tranche 2 Convertible Notes is less than \$0.135 per Share, then the conversion price of the Convertible Notes shall be reduced to match the conversion price of the Tranche 2 Convertible Notes.
- The Convertible Notes bear interest at the rate of 11% per annum payable quarterly in advance, which will be increased to match if the rate applicable to the interest payable in respect of any Tranche 2 Convertible Notes or other debt instrument issued within 3 months from the date of issue of the Convertible Notes, is greater than 12.1%.
- The Convertible Notes have a maturity date three years from the date of issue.
- Unless converted or redeemed before the maturity date, the Convertible Notes must be redeemed in full on the maturity date at a redemption price representing 100% of the outstanding principal amount. At any time after 18 months from the issue date of the Convertible Notes, the Company has the right to redeem in full the outstanding Convertible Notes at a redemption price representing 120% of the outstanding principal amount (plus accrued but unpaid interest). The Convertible Note holders will have the opportunity to elect to convert any or all of the outstanding Convertible Notes in the event that the Company exercises this early redemption option. If an event of default occurs under the Convertible Notes, the Convertible Note holder has the right to require redemption at a redemption price representing 110% of the outstanding principal amount.
- The Convertible Notes have second ranking security via a subordination agreement approved by the Company's secured lender to the Hellyer Mine Project, RMB Australia Holdings Ltd. However, this security will automatically terminate on the settlement of the Tranche 2 Fundraising.

- The Company has undertaken to issue, subject to Shareholder approval (which is sought by way of Resolution 2), 22 million free attaching unlisted Options to the Convertible Note holders on the basis of one Option for each Share that would be issued to the Convertible Note holder if it converted all of its Convertible Notes at a conversion price of \$0.15 per Share. The Options are to have an exercise price of \$0.20 per Option and expire three years from their date of issue. The full terms and conditions of the Options are attached as Annexure A to this Notice of General Meeting. If Shareholder approval is not forthcoming by 31 October 2011 (i.e. if Shareholders do not approve Resolution 2), then a cash fee equivalent to 20% of the total face value of the Convertible Notes will be payable to the subscribers for the Convertible Notes by the Company within 10 Business Days after 31 October 2011. If the number of Shares to be issued on conversion of a Convertible Notes is increased as a result of the conversion price applicable to any Tranche 2 Convertible Notes (as described above), then the Company must issue additional Options to reflect the increase.

**Allottees:** The Convertible Notes were issued to sophisticated or professional investors (as defined under section 708 of the Corporations Act). None of the allottees are Related Parties of the Company.

**Use of Funds:** The \$3.3 million raised through issue of the 3.3 million Convertible Notes was used to assist in managing the short-term working capital deficit largely associated with the Hellyer Mine Project.

As noted above, the Company is considering, and in negotiations on, a number of proposals for the provision of debt and equity for the Tranche 2 Fundraising.

The Directors seek Shareholder approval and ratification of the issue of the 3,300,000 Convertible Notes to refresh the Company's ability to issue up to 15% of its issued capital without shareholder approval under Listing Rule 7.1 so as to provide the Company with the maximum flexibility to undertake equity raisings, including the Tranche 2 Fundraising, without the need for further Shareholder approval. The requirement to obtain Shareholder approval for an issue at the time of issue, could limit the Company's flexibility in relation to the Tranche 2 Fundraising and its ability to take advantage of opportunities that may arise to raise equity capital. It should be noted that, notwithstanding an approval by Shareholders of the proposed Resolution 1, any future equity raisings, including any equity raising comprised in the Tranche 2 Fundraising, will remain subject to the 15% limit under Listing Rule 7.1.

The Directors recommend that the Shareholders vote in favour of Resolution 1.

### 3.2. Resolution 2: Approval for Option Issue

As noted above, on 8 August 2011 the Company announced completion of its first tranche of fundraising through the issue of \$3.3 million of Convertible Notes and \$1 million of Loan Notes. The Directors acknowledge the support for the Company by the first tranche fundraising participants whose investment was made prior to the structure and terms of the larger Tranche 2 Fundraising being finalised or there being certainty that it would be completed. In consideration for the additional risk assumed by the investors in the Convertible Notes and Loan Notes, the Company undertook to issue, subject to Shareholder approval (which is the subject of Resolution 2):

- 22 million free attaching unlisted Options (subject to increase pursuant to the formula set out below) to the Convertible Note holders on the basis of one Option for each Share that would be issued to the Convertible Note holders on conversion of all of their Convertible Notes at a conversion price of \$0.15 per Share; and
- 6,666,667 free attaching unlisted Options (not subject to increase) to the Director related entities that subscribed for Loan Notes on the basis of one Option for each Share which would be issued upon conversion of the Loan Notes into Shares at a conversion price of \$0.15 per Share.

If, as part of the Tranche 2 Fundraising, the Company issues any Tranche 2 Convertible Notes with a conversion price of less than \$0.135 per Share, the conversion price of the Convertible Notes will be reduced to match that applicable to the Tranche 2 Convertible Notes. If this occurs, the number of Shares that will be issued to the Convertible Note holders on conversion of all of their Convertible Notes will increase, in which case the Company has undertaken to the Convertible Note holders to issue additional Options to match that increase.

For example, if as part of the Tranche 2 Fundraising, the Company issues further convertible notes with a conversion price of \$0.13 per Share, the conversion price of the Convertible Notes will be adjusted from \$0.15 to \$0.13 per Share, resulting in the number of Shares into which the \$3.3 million of Convertible Notes can convert increasing from 22 million Shares to 25,384,615 Shares. In this scenario, the number of Options that the Company will, subject to Shareholder approval of Resolution 2, be obliged to issue to the holders of Convertible Notes will increase from 22 million Options to 25,384,615 Options. The approval of Shareholders is

sought under Resolution 2 for the number of Options that the Company will be obliged to issue, as adjusted. Accordingly, under this scenario, Shareholders would be approving the issue of 25,384,615 Options.

Resolution 2 seeks Shareholder approval for the purposes of ASX Listing Rule 7.1 to issue 22 million Options (subject to adjustment as described above) to the Convertible Note holders. Listing Rule 7.1 prohibits a listed company from issuing securities representing more than 15% of its issued capital in any 12 month period without prior shareholder approval (subject to certain exceptions). By obtaining Shareholder approval for the issue of the Options to holders of Convertible Notes, the securities will not be counted in the Company's 15% limit.

In accordance with Listing Rule 7.3 the following information is provided in relation to Resolution 2 to assist Shareholders decide whether or not to vote in favour of Resolution 2:

**Maximum Number:** The number of Options to be issued by the Company in relation to Resolution 2 is the amount calculated by dividing the aggregate \$3.3 million face value of the Convertible Notes (which are the subject of Resolution 1) by the conversion price applicable to the Convertible Notes, which is \$0.15 per Share subject to the adjustment mechanism described above. If no adjustment to the conversion price is required, the number of Options to be issued is 22 million. If, however, as part of the Tranche 2 Fundraising, the Company issues any Tranche 2 Convertible Notes with a conversion price of less than \$0.135 per Share, the conversion price of the Convertible Notes will be reduced to match that applicable to the Tranche 2 Convertible Notes and the number of Options to be issued will be the higher number determined in accordance with this formula.

**Date of Issue/Allotment:** The Options will be issued no later than 3 months after the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. It is expected that the Options will all be allotted together on a single day.

**Issue Price:** The Options are to be issued in consideration, and pursuant to the terms of, the subscription by Convertible Note holders for the Convertible Notes that are the subject of Resolution 1. However, no further amount is payable in respect of the Options.

**Allottees:** The Options will be issued to the Convertible Note holders. The Convertible Notes were issued to sophisticated or professional investors (as defined under section 708 of the Corporations Act). None of the holders of Convertible Notes are Related Parties of the Company.

**Terms:** The Options have an exercise price of \$0.20 per Option and expire three years from the date of issue. Full terms and conditions of the Options are attached as Annexure A to this Notice of General Meeting.

**Intended Use of Funds:** No funds will be raised through the issue of the Options.

If Shareholders do not approve Resolution 2, then a cash fee equivalent to 20% of the total face value of the Convertible Notes (being \$660,000) will be payable to the Convertible Note holders by the Company within 10 Business Days after 31 October 2011.

The Directors recommend that the Shareholders vote in favour of Resolution 2.

### 3.3. Resolutions 3 to 8: Background information

As noted above, on 8 August 2011 the Company announced completion of its first tranche of fundraising through issue of \$3.3 million Convertible Notes and \$1 million of Loan Notes representing unsecured loans on commercial arm's length terms from Director related entities.

The Loan Notes bear interest at the Bill Rate plus 5% per annum ("the Rate"). The Loan Notes are convertible into Shares at \$0.15 per Share, subject to Shareholder approval (which is sought by way of Resolutions 3, 4 and 5). If Shareholders approve each of Resolutions 3, 4 and 5, the total value outstanding of the Loan Notes the subject of those respective resolutions will automatically convert into Shares at \$0.15 per Share five Business Days after Shareholder approval is granted. The Loan Notes are unsecured. The term of the Loan Notes is to 30 June 2013. The Company may repay the loans represented by the Loan Notes at any time prior to maturity subject to subordination conditions with its secured lender. In the event that Shareholders do not approve each of Resolutions 3, 4 or 5, all of the Loan Notes will remain unsecured, interest bearing at the Rate and repayable by the Company on 30 June 2013 unless the Company determines to pay them out earlier subject to subordination conditions with its secured lender.

As part of the consideration for the issue of the Loan Notes to reflect the additional risk assumed by the Director related entity subscribers for the Loan Notes as a result of their investment being made prior to the structure and terms of the larger Tranche 2 Fundraising being finalised or there being certainty that it would be completed, and in order to match the terms of subscription by unrelated parties for the Convertible Notes, the Company undertook to issue, subject to Shareholder approval (which is sought by way of Resolutions 6, 7 and

8), approximately 6.66 million attaching unlisted Options to the Director related entity subscribers for the Loan Notes on the basis of one Option for each Share which would be issued upon conversion of the Loan Notes into Shares at a conversion price of \$0.15 per Share. If Shareholders do not approve any of Resolutions 6, 7 or 8, then a cash fee equivalent to 20% of the total face value of the loans represented by the Loan Notes will be payable to each of the lenders by the Company within 10 Business Days of 31 October 2011. The terms of the Options are the same as those proposed to be granted to the unrelated subscribers for the Convertible Notes pursuant to Resolution 2.

The Board considers that the terms of Loan Notes issued to the Director related entities, the terms of the proposed conversion of those Loan Notes and the proposed issue of the Options to the holders of Loan Notes are reasonable in the circumstances of the Company and on terms less favourable to the Director related entities than terms that would be reasonable if the Company and the Director related entities were dealing at arm's length.

In making this determination, the Board had regard to the terms of the Convertible Notes and Options proposed to be issued to the holders of Convertible Notes, which were negotiated on arm's length terms with persons that are not Related Parties of the Company, and to the terms of the Company's corporate loan facility provided by RMB Australia Holdings Ltd. The Board highlights that, unlike the Convertible Notes which are convertible at the option of the holder, the Loan Notes are automatically convertible into Shares following Shareholder approval and that the mechanism that may result in a reduction of the conversion price of the Convertible Notes and an increase to the number of Options to be granted (which is favourable to the subscribers for Convertible Notes) is not applicable to the Loan Notes. Accordingly, the terms on which the Loan Notes were granted to the Director related entities is less favourable to them than the terms on which the Convertible Notes were granted to the unrelated Convertible Note holders.

#### **3.4. Interconditionality of Resolutions 3 to 5 and 6 to 8**

Each of Resolutions 3, 4 and 5 relating to the conversion of the Loan Notes are interconditional. Accordingly, if any of Resolutions 3, 4 and 5 are not passed, none of them will be taken to be passed. In this case, none of the Loan Notes will become convertible into Shares and all of the Loan Notes will remain unsecured, interest bearing at the Rate and repayable by the Company on 30 June 2013 unless the Company determines to pay them out earlier subject to subordination conditions with its secured lender.

Similarly, each of Resolutions 6, 7 and 8 relating to the grant of Options to the Director related entity subscribers for the Loan Notes are interconditional. Accordingly, if any of Resolutions 6, 7 and 8 are not passed, none of them will be taken to be passed and no Options will be granted to any of the Director related entities the subject of those Resolutions. Resolutions 6, 7 and 8 are not, however, conditional upon the passing of Resolutions 3, 4 or 5. Nor are Resolutions 3, 4 and 5 conditional upon the passing of Resolutions 6, 7 or 8.

#### **3.5. Resolution 3: Approval of Issue of Shares to Associate of D. Boyer**

Mr. D. Boyer, Chairman of Bass Metals, in his capacity as trustee for the DB Family Trust lent \$250,000 to the Company through his subscription in his trustee capacity for \$250,000 of Loan Notes on 8 August 2011.

Resolution 3 seeks Shareholder approval for the purposes of Listing Rule 10.11 to approve the issue of 1,666,667 Shares on conversion of those Loan Notes into Shares at a conversion price of \$0.15 per Share.

Listing Rule 10.11 provides that a company must not issue equity securities to a Related Party without the approval of shareholders. Pursuant to Listing Rule 7.2 exception 14, where approval under Listing Rule 10.11 is obtained, approval is not required under Listing Rule 7.1 and the issue of securities will not be included in the Company's 15% limit.

The following information is provided in accordance with Listing Rule 10.13 to help Shareholders decide whether or not to vote in favour of Resolution 6:

**Maximum Number of Shares to be Allotted:** 1,666,667 Shares.

**Issue Price:** The 1,666,667 Shares will be issued at a deemed issue price of \$0.15 per Share.

**Allottee:** David Donald Boyer as trustee for the DB Family Trust.

**Related Party/Relationship:** David Donald Boyer as trustee for the DB Family Trust is a Related Party of the Company as Mr. Boyer, a Director of Bass Metals, is the trustee for the DB Family Trust.

**Terms:** Upon their issue, the Shares will rank equally in all respects with the existing Shares then on issue.

**Allotment Date/Date of Issue:** The allotment will occur on a single date no later than 1 month after the date of the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. The allotment date of the Shares will be the same date as the issue date of the Shares.

**Intended Use of Funds:** No funds will be raised on conversion of the \$250,000 of Loan Notes into Shares, however, \$250,000 of the loan from David Donald Boyer as trustee for the DB Family Trust represented by the Loan Notes will be fully repaid by the Share issue, thereby preserving the Company's cash resources. The loan of \$250,000 was used to assist in managing the short-term working capital requirement largely associated with the Hellyer Mine Project.

If Shareholders do not approve Resolution 3, or if Resolution 3 is taken not to be passed because Shareholders do not approve either of Resolutions 4 and 5, the Loan Notes held by David Donald Boyer as trustee for the DB Family Trust will remain unsecured, interest bearing at the Rate and repayable by the Company by 30 June 2013 unless the Company determines to pay them out earlier subject to subordination conditions with the secured lender.

The Directors decline to make a recommendation to Shareholders in relation to Resolution 3 due to their material personal interests in the outcome of the Resolution. However, the Directors consider that the proposed conversion of the \$250,000 Loan Notes held by David Donald Boyer as trustee for the DB Family Trust into 1,666,667 Shares at a conversion price of \$0.15 is a cost effective method of repayment of the loan represented by those Loan Notes.

### 3.6. Resolution 4: Approval of Issue of Shares to Associates of C. McGown

Mr. C. McGown, Non-Executive Director of Bass Metals, lent \$150,000 to the Company through his Associated entity, Ionikos Pty Ltd and \$100,000 through his Associated entity, Resource Investment Capital Advisors Pty Ltd through their subscription for an aggregate of \$250,000 of Loan Notes on 8 August 2011 on the terms and conditions noted in section 3.3 above.

Resolution 4 seeks Shareholder approval for the purposes of Listing Rule 10.11 to approve the issue of a total of 1,666,667 Shares on conversion of those Loan Notes into Shares at a conversion price of \$0.15 per Share of the \$250,000.

The following information is provided in accordance with Listing Rule 10.13 to help Shareholders decide whether or not to vote in favour of Resolution 4:

**Maximum Number of Shares to be Allotted:** 1,666,667 Shares.

**Issue Price:** The 1,666,667 Shares will be issued at a deemed issue price of \$0.15 per Share.

**Allottees:** 1,000,000 Shares will be allotted and issued to Ionikos Pty Ltd and 666,667 Shares will be allotted and issued to Resource Investment Capital Advisors Pty Ltd.

**Related Party/Relationship:** Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd are deemed Related Parties of the Company as Mr. McGown, a Director of Bass Metals, controls Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd.

**Terms:** Upon their issue, the Shares will rank equally in all respects with the existing Shares then on issue.

**Allotment Date/Date of Issue:** The allotment will occur on a single date no later than 1 month after the date of the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. The allotment date of the Shares will be the same date as the issue date of the Shares.

**Intended Use of Funds:** No funds will be raised on conversion of the \$250,000 of Loan Notes into Shares, however, \$250,000 of the loans from Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd represented by those Loan Notes will be fully repaid by the Share issue, thereby preserving the Company's cash resources. The loans of \$250,000 were used to assist in managing the short-term working capital requirement largely associated with the Hellyer Mine Project.

If Shareholders do not approve Resolution 4, or if Resolution 4 is taken not to be passed because Shareholders do not approve either of Resolutions 3 or 5, the Loan Notes held by Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd will remain unsecured, interest bearing at the Rate and repayable by the Company by 30 June 2013 unless the Company determines to pay them out earlier subject to subordination conditions with the secured lender.

The Directors decline to make a recommendation to Shareholders in relation to Resolution 4 due to their material personal interests in the outcome of the Resolution. However, the Directors consider that the proposed conversion of the \$250,000 of Loan Notes held by Ionikos Pty Ltd and Resource Investment Capital Advisors

Pty Ltd into a total of 1,666,667 Shares at a conversion price of \$0.15 is a cost effective method of repayment of the loans represented by those Loan Notes.

### 3.7. Resolution 5: Approval of Issue of Shares to Associate of T. Treasure

Metals Finance Limited, the Company's major Shareholder, lent the Company \$500,000 through its subscription for \$500,000 of Loan Notes on 8 August 2011 on the terms and conditions noted in section 3.3 above. Mr. T. Treasure, Non-Executive Director of Bass Metals, is the Managing Director and a shareholder in Metals Finance Limited and the Metals Finance Limited nominee on the Board of Bass Metals.

Resolution 5 seeks Shareholder approval for the purposes of Listing Rule 10.11 to approve the issue of 3,333,333 Shares on conversion of those Loan Notes into Shares at a conversion price of \$0.15 per Share.

The following information is provided in accordance with Listing Rule 10.13 to help Shareholders decide whether or not to vote in favour of Resolution 5:

**Maximum Number of Shares to be Allotted:** 3,333,333 Shares.

**Issue Price:** The 3,333,333 Shares will be issued at a deemed issue price of \$0.15 per Share.

**Allottee:** Metals Finance Limited.

**Related Party/Relationship:** Metals Finance Limited is a Related Party of the Company as Mr. T. Treasure, a Director of the Company, is also the Managing Director and a shareholder in Metals Finance Limited and the Metals Finance Limited's nominee on the Board of Bass Metals.

**Terms:** Upon their issue, the Shares will rank equally in all respects with the existing Shares then on issue.

**Allotment Date/Date of Issue:** The allotment will occur on a single date no later than 1 month after the date of the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. The allotment date of the Shares will be the same date as the issue date of the Shares.

**Intended Use of Funds:** No funds will be raised on conversion of the \$500,000 of Loan Notes into Shares, however, \$500,000 of the loan from Metals Finance Limited represented by those Loan Notes will be fully repaid by the Share issue, thereby preserving the Company's cash resources. The loan of \$500,000 was used to assist in managing the short-term working capital requirement largely associated with the Hellyer Mine Project.

If Shareholders do not approve Resolution 5, or if Resolution 5 is taken not to be passed because Shareholders do not approve either of Resolutions 3 or 4, the Loan Notes held by Metals Finance Limited will remain unsecured, interest bearing at the Rate and repayable by the Company by 30 June 2013 unless the Company determines to pay them out earlier subject to subordination conditions with the secured lender.

The Directors decline to make a recommendation to Shareholders in relation to Resolution 5 due to their material personal interests in the outcome of the Resolution. However, the Directors consider that the proposed conversion of the \$500,000 of Loan Notes held by Metals Finance Limited into 3,333,333 Shares at a conversion price of \$0.15 is a cost effective method of repayment of the loan represented by those Loan Notes.

### 3.8. Resolution 6: Approval of Issue of Options to Associate of D. Boyer

On 8 August 2011 Mr. D. Boyer, Chairman of Bass Metals, in his capacity as trustee for the DB Family Trust lent \$250,000 to the Company through his subscription in his trustee capacity for \$250,000 of Loan Notes on the terms and conditions noted in section 3.3 above.

As part of the consideration for the issue of the Loan Notes as described in section 3.3 above, the Company is seeking Shareholder approval (by way of Resolution 6) for the purposes of Listing Rule 10.11 to approve the issue of 1,666,667 Options to David Donald Boyer as trustee for the DB Family Trust, an Associate of Mr. Boyer and a Related Party of the Company.

The following information is provided in accordance with Listing Rule 10.13 to help Shareholders decide whether or not to vote in favour of Resolution 6:

**Maximum Number of Options to be Issued:** 1,666,667 Options.

**Issue Price:** The 1,666,667 Options are to be issued in consideration, and pursuant to the terms of, the subscription by David Donald Boyer as trustee for the DB Family Trust for the Loan Notes that are the subject of Resolution 3. However, no further amount is payable in respect of the Options.

**Allottee:** David Donald Boyer as trustee for the DB Family Trust.

**Related Party/Relationship:** David Donald Boyer as trustee for the DB Family Trust is a Related Party of the Company as Mr. Boyer, a Director of Bass Metals, is the trustee for the DB Family Trust.

**Terms:** The Options have an exercise price of \$0.20 per Option and will expire three years from the date of issue. Full terms and conditions of the Options are attached as Annexure A to this Notice of General Meeting.

**Allotment Date/Date of Issue:** The Options will be issued no later than 1 month after the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. It is expected that the Options will all be allotted together on a single day.

**Intended Use of Funds:** No funds will be raised through the issue of the Options.

If Shareholders do not approve Resolution 6, or Resolution 6 is taken not to be passed because Shareholders do not approve either of Resolutions 7 or 8, then a cash fee equivalent to 20% of the total face value of the loans represented by the Loan Notes held by Mr. Boyer as trustee for the DB Family Trust, being an amount of \$50,000, will be payable by the Company to him in his trustee capacity within 10 Business Days after 31 October 2011.

As noted in paragraph 3.3 above, the requirement for this cash payment was agreed by the Company in order to match the same commitment made to unrelated subscribers for the Convertible Notes. The terms and the proposed grant of the Options were agreed by the Company with the subscribers as consideration for the additional risk assumed by them as a result of their investment being made prior to the structure and terms of the larger Tranche 2 Fundraising being finalised or there being certainty that it would be completed. The terms of the Options are the same as those proposed to be granted to the unrelated subscribers for the Convertible Notes pursuant to Resolution 2.

The Directors decline to make a recommendation to Shareholders in relation to Resolution 6 due to their material personal interests in the outcome of the Resolution. However, the Directors consider that the grant of the Options to the Director related entities in conjunction with their subscription for the Loan Notes is reasonable in the circumstances of the Company and on terms less favourable to the Director related entities than the arm's length terms on which the Convertible Notes and Options are to be granted to the Convertible Note holders.

### 3.9. Resolution 7: Approval of Issue of Options to Associates of C. McGown

On 8 August 2011 Mr. C. McGown, Non-Executive Director of Bass Metals, lent \$250,000 to the Company through his Associated entities Ionikos Pty Ltd (\$150,000) and Resource Investment Capital Advisors Pty Ltd (\$100,000) through their subscription for an aggregate of \$250,000 of Loan Notes on the terms and conditions noted in section 3.3 above.

As part of the consideration for the issue of the Loan Notes as described in section 3.3 above, the Company is seeking Shareholder approval (by way of Resolution 7) for the purposes of Listing Rule 10.11 to approve the issue of 1,000,000 Options to Ionikos Pty Ltd and 666,667 Options to Resource Investment Capital Advisors Pty Ltd, Associates of Mr. McGown and Related Parties of the Company.

The following information is provided in accordance with Listing Rule 10.13 to help Shareholders decide whether or not to vote in favour of Resolution 7:

**Maximum Number of Options to be Issued:** 1,666,667 Options.

**Issue Price:** The 1,666,667 Options are to be issued in consideration, and pursuant to the terms of, the subscription by Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd for the Loan Notes that are the subject of Resolution 7. However, no further amount is payable in respect of the Options.

**Allottee:** 1,000,000 Options will be issued to Ionikos Pty Ltd and 666,667 Options will be issued to Resource Investment Capital Advisors Pty Ltd.

**Related Party/Relationship:** Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd are Related Parties of the Company as Mr. McGown, a Director of Bass Metals, controls Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd.

**Terms:** The Options have an exercise price of \$0.20 per Option and will expire three years from the date of issue. Full terms and conditions of the Options are attached as Annexure A to this Notice of General Meeting.

**Allotment Date/Date of Issue:** The Options will be issued no later than 1 month after the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. It is expected that the Options will all be allotted together on a single day.

**Intended Use of Funds:** No funds will be raised through the issue of the Options.



If Shareholders do not approve Resolution 7, or Resolution 7 is taken not to be passed because Shareholders do not approve either of Resolutions 6 or 8, then a cash fee equivalent to 20% of the total face value of the loans represented by the Loan Notes held by Ionikos Pty Ltd and Resource Investment Capital Advisors Pty Ltd, being an aggregate amount of \$50,000, will be payable by the Company to them within 10 Business Days after 31 October 2011.

As noted in paragraph 3.3 above, the requirement for this cash payment was agreed by the Company in order to match the same commitment made to unrelated subscribers for the Convertible Notes. The terms and the proposed grant of the Options were agreed by the Company with the subscribers as consideration for the additional risk assumed by them as a result of their investment being made prior to the structure and terms of the larger Tranche 2 Fundraising being finalised or there being certainty that it would be completed. The terms of the Options are the same as those proposed to be granted to the unrelated subscribers for the Convertible Notes pursuant to Resolution 2.

The Directors decline to make a recommendation to Shareholders in relation to Resolution 7 due to their material personal interests in the outcome of the Resolution. However, the Directors consider that the grant of the Options to the Director related entities in conjunction with their subscription for the Loan Notes is reasonable in the circumstances of the Company and on terms less favourable to the Director related entities than the arm's length terms on which the Convertible Notes and Options are to be granted to the Convertible Note holders.

### 3.10. Resolution 8: Approval of Issue of Options to Associate of T. Treasure

On 8 August 2011 Metals Finance Limited, the Company's major Shareholder, lent the Company \$500,000 through its subscription for \$500,000 of Loan Notes on the terms and conditions noted in section 3.3 above. Mr. T. Treasure, Non-Executive Director of Bass Metals, is the Managing Director and a shareholder in Metals Finance Limited and the Metals Finance Limited nominee on the Board of Bass Metals and, accordingly, Metals Finance Limited is a Related Party of the Company.

As part of the consideration for the issue of the Loan Notes as described in section 3.3 above, the Company is seeking Shareholder approval (by way of Resolution 8) for the purposes of Listing Rule 10.11 to approve the issue of 3,333,333 Options to Metals Finance Limited, an Associate of Mr. Treasure and a Related Party of the Company.

The following information is provided in accordance with ASX Listing Rule 10.13 to help Shareholders decide whether or not to vote in favour of Resolution 8:

**Maximum Number of Options to be Issued:** 3,333,333 Options.

**Issue Price:** The 3,333,333 Options are to be issued in consideration, and pursuant to the terms of, the subscription by Metals Finance Limited for the Loan Notes that are the subject of Resolution 5. However, no further amount is payable in respect of the Options.

**Allottee:** 3,333,333 Options will be allotted and issued to Metals Finance Limited.

**Related Party/Relationship:** Metals Finance Limited is a Related Party of the Company as Mr. T. Treasure, a Director of the Company, is also the Managing Director and a shareholder in Metals Finance Limited and the Metals Finance Limited's nominee on the Board of Bass Metals.

**Terms:** The Options have an exercise price of \$0.20 per Option and will expire three years from the date of issue. Full terms and conditions of the Options are attached as Annexure A to this Notice of General Meeting.

**Allotment Date/Date of Issue:** The Options will be issued no later than 1 month after the General Meeting or such later date to the extent permitted by an ASX waiver of the Listing Rules. It is expected that the Options will all be allotted together on a single day.

**Intended Use of Funds:** No funds will be raised through the issue of the Options.

If Shareholders do not approve Resolution 8, or Resolution 8 is taken not to be passed because Shareholders do not approve either of Resolutions 6 or 7, then a cash fee equivalent to 20% of the total face value of the loans represented by the Loan Notes held by Metals Finance Limited, being an aggregate amount of \$100,000, will be payable by the Company to it within 10 Business Days after 31 October 2011.

As noted in paragraph 3.3 above, the requirement for this cash payment was agreed by the Company in order to match the same commitment made to unrelated subscribers for the Convertible Notes. The terms and the proposed grant of the Options were agreed by the Company with the subscribers as consideration for the additional risk assumed by them as a result of their investment being made prior to the structure and terms of the larger Tranche 2 Fundraising being finalised or there being certainty that it would be completed. The terms

of the Options are the same as those proposed to be granted to the unrelated subscribers for the Convertible Notes pursuant to Resolution 2.

The Directors decline to make a recommendation to Shareholders in relation to Resolution 5 due to their material personal interests in the outcome of the Resolution. However, the Directors consider that the grant of the Options to the Director related entities in conjunction with their subscription for the Loan Notes is reasonable in the circumstances of the Company and on terms less favourable to the Director related entities than the arm's length terms on which the Convertible Notes and Options are to be granted to the Convertible Note holders.

#### 4. DEFINITIONS

In this Explanatory Statement:

**Associate** has the meaning set out in sections 11 to 17 of the Corporations Act.

**ASX** means the Australian Securities Exchange or ASX Limited (ABN 98 008 624 691), as the context requires.

**Bass Metals** means Bass Metals Ltd, ACN 109 933 995.

**Bill Rate** means for an Interest Period, the average bid rate for bills having a tenor of 90 days as displayed on the "BBSY" page of the Reuters Monitor System on the first day of that interest period. However, if the average bid rate is not displayed by 10.30am (Sydney time) on that day, or if it is displayed but there is an obvious error in that rate, **Bill Rate** means the rate determined by the Company in good faith to be the average of the buying rates quoted to leading Australian banks by 3 Reference Banks at or about 10.30am on that date; the buying rates must be for bills of exchange accepted by a leading Australian bank for a tenor of 90 days.

**Board** means the Board of Directors of the Company.

**Business Day** means a day which is not a Saturday, Sunday or public holiday in Western Australia.

**Company** means Bass Metals Ltd, ACN 109 933 995.

**Convertible Notes** means the 3,300,000 convertible notes issued on 8 August to professional and sophisticated investors with a face value of \$1.00 per Note convertible into Shares at a conversion price of \$0.15 per Share (on the terms, and subject to adjustment, outlined in this Explanatory Statement).

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Explanatory Statement** means the explanatory statement accompanying the Notice of General Meeting.

**General Meeting** means the meeting of the Shareholders convened for the purposes of considering the Resolutions contained in the Notice of General Meeting.

**Listing Rules** mean the Listing Rules of the ASX.

**Loan Notes** means the loan notes issued by the Company on 8 August 2011 to entities related to Directors of the Company due 30 June 2013, which, subject to the passing of each of Resolutions 3 to 5, will convert into Shares at \$0.15 per Share.

**Notice of General Meeting** means the notice convening the General Meeting accompanying this Explanatory Statement.

**Option** means an option to subscribe for a Share issued pursuant to Resolutions 2, 6, 7 and 8 exercisable at \$0.20, expiring three years from the date of issue. A summary of the terms and conditions of the Options is attached as Annexure A to this Notice of General Meeting.

**Proxy Form** means the form of proxy accompanying this Notice of General Meeting.

**Rate** means the Bill Rate plus 5% per annum.

**Reference Bank** means:

- (a) Commonwealth Bank of Australia;
- (b) Westpac Banking Corporation;
- (c) Australia and New Zealand Banking Group Limited; or
- (d) National Australia Bank Limited.

**Related Party** means a party so defined by section 228 of the Corporations Act.

**Resolution** means a resolution proposed to be passed at the General Meeting and contained in the Notice of General Meeting.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a person entered in the Company's register as a holder of a Share.

**Tranche 2 Convertible Notes** means any convertible notes (if any) issued as part of the Tranche 2 Fundraising.

**Tranche 2 Fundraising** means the second tranche of the Company's proposed fundraising, in respect of which the Company is considering, and in negotiations on, a number of proposals for the provision of debt and equity to raise up to approximately a further \$20 million.

## Annexure A

### SUMMARY OF THE TERMS AND CONDITIONS OF THE OPTIONS TO BE ISSUED PURSUANT TO RESOLUTIONS 2, 6, 7 and 8

- For personal use only
- (a) The Options will not be quoted on the ASX.
  - (b) The Options are exercisable at \$0.20 each.
  - (c) An Option must be exercised (if at all) not later than 3 years from the date of issue.
  - (d) The Options will become exercisable on issue.
  - (e) Each Option entitles the holder to subscribe for and be allotted one Share in the capital of the Company upon exercise of the Option and payment to the Company of the exercise price.
  - (f) The exercise of some Options only does not affect the holder's right to exercise other Options at a later time.
  - (g) An Option is exercisable by the holder lodging with the Company's secretary a notice of exercise, a cheque for the exercise price of each Share to be issued on the exercise of that Option, and the Option certificate.
  - (h) The Company shall allot Shares on exercise of Options in accordance with the Company's Constitution.
  - (i) Shares issued on the exercise of Options will rank pari passu with all existing Shares in the capital of the Company from the date of issue of those Shares.
  - (j) The Options are not transferable except with the consent of the Company.
  - (k) In relation to new issues, there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining the entitlements to any such issue, Option holders will be afforded the opportunity to exercise Options prior to the date for determining entitlements to participate in any such issue.
  - (l) If from time to time, prior to the expiry of any Options, the Company makes an issue of Shares to the holders of Shares in the Company by way of capitalisation of profits or reserves ("bonus issue"), then upon exercise of an Option a holder will be entitled to have issued to it (in addition to the Shares which it is otherwise entitled to have issued to it upon such exercise) the number of Shares which would have been issued to him under the bonus issue ("bonus issue") if on the date on which entitlements thereto were calculated it had been registered as the holder of the number of Shares which it would have been registered as holder if immediately prior to that date it had duly exercised its Options and the Shares the subject of such exercise had been duly allotted and issued to it. The bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue rank pari passu in all respects with the other Shares allotted upon exercise of the Options.
  - (m) In the event of any reorganisation (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company before the expiry of any Options, all rights of the option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.



**ACN 109 933 995  
GENERAL MEETING OF SHAREHOLDERS  
PROXY FORM**

For personal use only

I/We (print name) .....

of (print address) .....

being a member/members of Bass Metals Ltd (ACN 109 933 995) hereby appoint

of

or failing him/her .....

of .....  
or failing him/her, or if no person/body corporate is named, the Chairman of the meeting, as my/our proxy at the General Meeting of the Company to be held commencing at 10am on Monday, 26 September 2011, and at any adjournment or postponement thereof and to vote for me/us on my/our behalf in respect of all/the following\*

.....  
of my/our Shares in the manner as set out below.

**In relation to any undirected proxies the Chairman intends to vote in favour of all Resolutions.**

**If the Chairman of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box.**

By marking this box you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. If you do not mark this box and you have not directed your proxy how to vote, the Chairman will not cast your votes on the Resolution and your votes will not be counted in calculating the required majority if a poll is called on the Resolution.

	<b>For</b>	<b>Against</b>	<b>Abstain</b>
<b>Resolution 1</b> Ratification of Convertible Note Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2</b> Approval of Option Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3</b> Approval of Issue of Shares – D. Boyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4</b> Approval of Issue of Shares – C. McGown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 5</b> Approval of Issue of Shares – Metals Finance Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 6</b> Approval of Issue of Options – D. Boyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 7</b> Approval of Issue of Options – C. McGown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 8</b> Approval of Issue of Options – Metals Finance Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Dated this ..... day of ..... 2011.

**PLEASE SIGN HERE**

**Individual or Securityholder 1**

**Individual/Sole Director and  
Sole Company Secretary**

**Securityholder 2**

**Director**

**Securityholder 3**

**Director/  
Company Secretary**



ACN 109 933 995

## INSTRUCTIONS FOR COMPLETING THE PROXY FORM

1. To vote by proxy, please complete and sign the Proxy Form enclosed with this Notice of General Meeting as soon as possible and either:
  - send the Proxy Form by facsimile to the Company on +61 8 9481 2846;
  - post the Proxy Form to the Company at PO Box 1330, West Perth WA 6872; or
  - deliver the Proxy Form to the registered office of the Company at 16 Thelma Street, West Perth WA 6005.
2. Proxy Forms must be received by the Company not later than 48 hours before the time specified for the commencement of the General Meeting.
3. A member entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on their behalf. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights.
4. \*If two proxies are appointed you may delete "all" and insert the relevant number or proportion of shares in respect of which each such appointment is made. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
5. Should you desire to direct your proxy how to vote, place a cross in the appropriate box for each item, otherwise your proxy may vote as your proxy thinks fit or abstain from voting.
6. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
7. Corporate Shareholders wishing to appoint a proxy should comply with the execution requirements set out on the Proxy Form or otherwise with the provision of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
  - 2 directors of the company;
  - a director and a company secretary of the company; or
  - for a proprietary company that has a sole director who is also the sole company secretary – that director.
8. Completion of a Proxy Form will not prevent individual Shareholders from attending the meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the meeting in person, the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the meeting.
9. Where a Proxy Form or form of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged with the Proxy Form or appointment of corporate representative.