



30 JANUARY 2017

ASX CODE: KAS

**OUR PRIME COMMODITY IS
TIN**

LME TIN PRICE (27/01/17)

US\$19,950 / t

(CASH BUYER)

ABOUT KASBAH

KASBAH IS AN AUSTRALIAN LISTED MINERAL EXPLORATION AND DEVELOPMENT COMPANY.

THE COMPANY (75%) AND IT'S JOINT VENTURE PARTNERS TOYOTA TSUSHO CORP (20%) AND NITTETSU MINING CO. (5%) ARE ADVANCING THE ACHMMACH TIN PROJECT IN THE KINGDOM OF MOROCCO TOWARDS PRODUCTION.

PROJECTS

ACHMMACH TIN PROJECT
BOU EL JAJ TIN PROJECT

CAPITAL STRUCTURE

SHARES ON ISSUE:	694M
UNLISTED OPTIONS:	0.5M
CASH @ 31/12/16:	\$4.1M

MAJOR SHAREHOLDERS

PALA INVESTMENTS	19.9%
WORLD BANK (IFC)	14.2%
AFRICAN LION GROUP	12.6%
THAISARCO	4.6%
TRAXYS	4.3%

CONTACT US

☎: +61 8 9463 6651

✉: info@kasbahresources.com

🌐: www.kasbahresources.com

🐦: [@kasbahresources](https://twitter.com/kasbahresources)

DECEMBER 2016 QUARTERLY REPORT



Kasbah Resources Limited (ASX: KAS) is pleased to report its activities for the December 2016 Quarter. The highlights include:

- Placement for **\$3.73M** completed to new strategic investor;
- Deed of termination with Asian Mineral Resources Limited ("AMR") in respect to a Scheme Implementation Agreement between the parties;
- Takeover Panel declines to hear proceedings;
- Restructure of Board and Management;
- Cash at 31 December 2016 is **\$4.1M** and debt of **\$1.0M** and;
- Tin Price steady around US\$20,000 / t and semi-conductor demand growing.

DECEMBER QUARTERLY REPORT

Kasbah Resources Limited (Kasbah or the Company) is pleased to provide this update to the market.

CORPORATE

▪ New Strategic Investor

On 19 December 2016 Kasbah announced that Pala Investments Limited (Pala), an experienced mining investor with a strong track-record of success, had agreed to make a strategic investment into Kasbah. Pala will work with Kasbah to provide strategic support in relation to:

1. Team strengthening - Facilitating strengthening of the Board and management;
2. Project financing - Strong financial capacity and experience providing support in project financing;
3. Project execution - Experience in project management and operations;
4. M&A - Assistance in strategic M&A and growth opportunities; and
5. Stakeholder relations - Strong focus on stakeholder and community relations.

Ms Gabrielle Moeller, Non-Executive Chairperson of Kasbah, commented:

"We are excited to welcome Pala as a strategic investor. With the support of the existing shareholders, combined with Pala's financial capabilities and their extensive project financing and development skills, we believe that the company can transition the Achmmach Tin Project to a decision to mine in 2017. Kasbah looks forward to working closing with Pala to continue advancement of the Achmmach Tin Project towards production."

Stephen Gill, Portfolio Manager at Pala and Kasbah non-executive director, commented:

"We are excited by the opportunity to partner with Kasbah and look forward to supporting the Company in advancing its Achmmach Tin Project. We recognise Achmmach as one of the only scalable near-term sources of new tin supply, which makes it a strategic asset in an attractive market. I believe the rapid advancement of the project to first production will underpin the development of Kasbah into a larger-scale, multi-asset tin company."

▪ Placement to raise \$3.73M completed

Pala agreed to subscribe for 138,133,684 new shares in Kasbah to raise an aggregate amount of \$3,729,609 (**Placement**). Following closing of the Placement (announced 23 December 2016) the enlarged issued share capital of Kasbah is 694,139,119 shares with Pala holding 19.9% of the enlarged issued share capital of Kasbah. The Placement price of \$0.027 per share was based upon a 15 day VWAP and represented a 12.5% premium to the last closing price of \$0.024 on 6 December 2016.

The funds raised will be utilised to recommence pre-project activities, progress project financing options, continue advancement of the Achmmach Tin Project towards production and for working capital purposes.

Under the terms of the Placement:

- Pala is entitled to appoint two representatives to the Kasbah Board for so long as Pala holds a 10% interest in Kasbah on a fully diluted basis, and one nominee for so long as it holds a 5% interest on a fully diluted basis.

- Subject to ASX providing Kasbah with a waiver from the relevant Listing Rule, if Kasbah issues ordinary shares to any person or entity, Pala will have the right to subscribe for additional ordinary shares to maintain its percentage shareholding in the Company on a fully diluted basis immediately prior to the issue of such ordinary shares. This right is suspended if Pala holds less than 5% or more than 30% of Kasbah shares on a fully diluted basis.
- Pala has also agreed to a voluntary escrow of the Placement shares until the Company issues a prospectus (which must occur on or before 31 March 2017) enabling the on-sale of those shares.

▪ Renounceable Rights Issue

As announced on 19 December 2016, following the above mentioned Placement, Kasbah intends to offer a 1 for 6 renounceable rights issue to all shareholders to raise up to an additional \$2,660,867 at \$0.023 per share, representing a 4.2% discount to the last closing price of \$0.024 on 6 December 2016. Pala intends to take up its pro-rata share in the rights issue to maintain its 19.9% shareholding of the expanded capital of the Company.

Kasbah has commenced the process of seeking underwriters and sub-underwriters for the rights issue. Pala has offered to underwrite all or part of the rights issue to ensure maximum funds are raised. A further announcement in relation to the terms of the rights issue will be made shortly.

▪ Pala Loan Facility

On 7 November 2016 Kasbah announced that it had drawn the second \$500,000 tranche of the \$1,000,000 loan facility from Pala. On 19 December 2016, Kasbah announced that Pala had agreed to extend the maturity of the loan, at no penalty, from 10 August 2017 to 31 December 2017. Additionally Kasbah, at its election, can extend the maturity for a further 6 months (to 30 June 2018) with the payment of a fee equaling 3% of the outstanding commitment at that time.

▪ Board and Management Restructure

Board

Effective from 19 December 2016, Kasbah's non-executive Chairperson Mr Rod Marston retired from the Board and Ms Gabrielle Moeller, an existing non-executive director with extensive banking and financing skills, was appointed non-executive Chairperson.

Mr Ian McCubbing and Mr Giles Robbins also retired from the board of directors.

Effective on closing of the Placement, Pala have the right to appoint two nominees to the Kasbah Board and Stephen Gill, a representative of Pala, was appointed immediately. Mr Gill, Portfolio Manager at Pala, has been involved in many of Pala's principal investments covering a range of commodities, as well as the mining services and consumables sectors. Stephen has also supported many of Pala's investee companies in defining and implementing strategic initiatives, including business turnaround, organic expansion and strategic M&A.

While the Kasbah Board currently comprises the following, work is underway to further strengthen the Board:

- Non-executive Chairperson, Ms Gabrielle Moeller;
- Non-executive director, Mr Wayne Bramwell;
- Non-executive director, Mr Mike Brook; and
- Non-executive director, Mr Stephen Gill.

Management

After closing of the Pala placement, Mr Wayne Bramwell stepped down as Managing Director but will remain on as a non-executive director of Kasbah.

Mr Richard Hedstrom has joined Kasbah as Interim Chief Executive Officer on terms to be agreed. Richard was most recently Head of Corporate Development for OZ Minerals and has a long involvement in the resources industry.

▪ Scheme of Arrangement with Asian Mineral Resources

During the quarter, after a Scheme meeting on 23 November 2016 where a majority of Kasbah shareholders had voted in favour of the Scheme, a third party identified a fundamental flaw in the valuation methodology applied by the independent expert BDO Corporate Finance (WA) Pty Ltd (BDO).

This fundamental error by BDO affected BDO's valuation of the Scheme consideration and would have changed their opinion of the scheme to 'not fair, but reasonable' for Kasbah shareholders. Accordingly, on 9 December 2016, Kasbah notified the market that the condition precedent requiring approval of the Scheme by the Federal Court of Australia was incapable of being satisfied in relation to the Scheme approved by Shareholders on 23 November 2016.

On 19 December 2016 Kasbah announced that it had signed a deed of termination with AMR in respect of the Scheme and that all discussions in respect to the proposed merger are now concluded.

▪ Takeover Panel Proceedings dismissed

Following the announcement of the Pala placement on 19 December 2016, various third parties submitted a Takeover Panel application, alleging amongst other things, that Pala was associated with Lion Selection Group Ltd and that the placement would contravene section 606 of the Australian Corporations Act. On 23 December 2016, the Panel advised that the applicants did not provide sufficient material to justify the Panel making further enquiries and accordingly it declined to conduct proceedings.

On 24 December 2016, the abovementioned applicants submitted a Review application with the Takeovers Panel and subsequently the Takeover Review Panel announced on 17 January 2016 that it would again decline to conduct proceedings. Kasbah now considers the matter resolved.

▪ Cash and Debt

Cash and short term deposits at 31 December 2016 were **\$4.1M**.

Debt at 31 December 2016 was **\$1.0M**.

TIN MARKET

After bottoming at US\$13,085 / t on 14 January 2016, the tin price rallied ~45% and finished at \$21,000 / t at calendar year end. LME stocks remain under 4,000t in early January 2017 but producer inventories have lifted and mine supply seems to be improving.

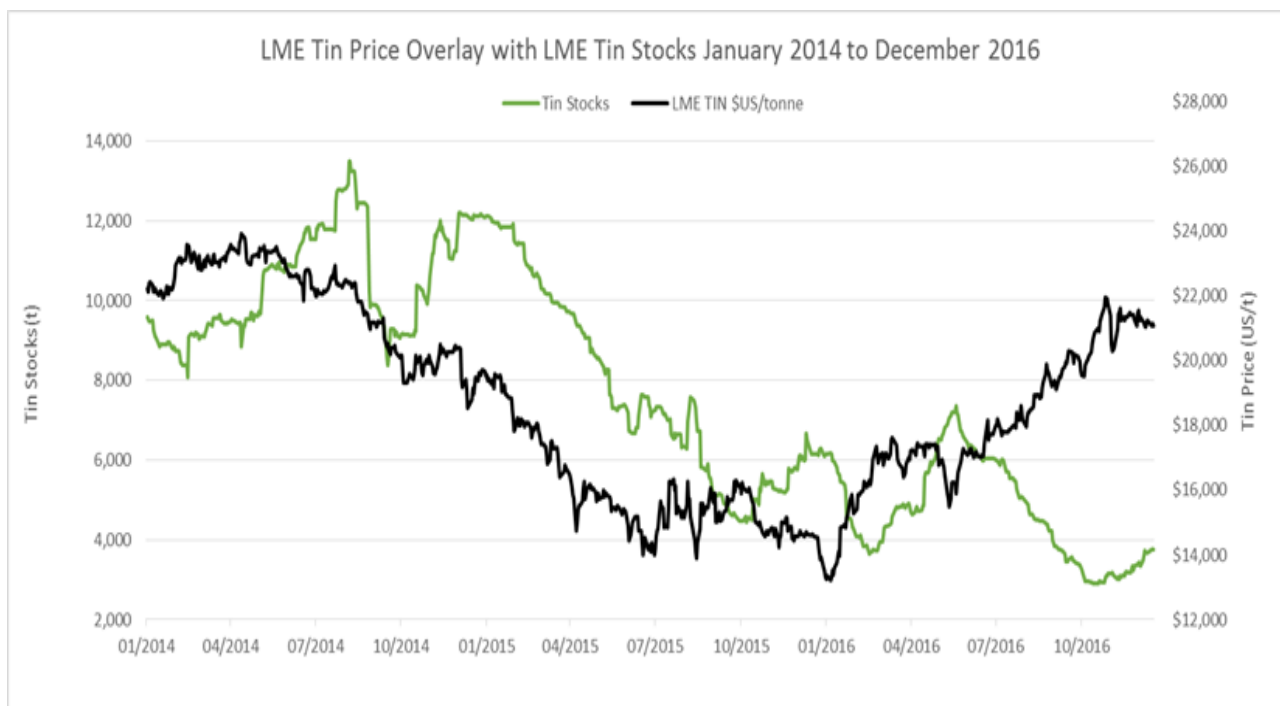


Figure 1: LME Tin Price vs LME Stocks – Jan 2014 to Dec 2016

The key change to the tin market has been in demand. Tin production has been falling for several years but weak demand has been evident in this key sector until recent months.

Indications are that semiconductor production, which represents roughly 50% of total tin demand, has continued to rebound. As reported by the Semiconductor Industry Association (SIA) on 3 January 2017:

“Global semi-conductor sales continue to pick up steam in November, increasing at the highest rate in almost two years and nearly pulling even with the year to date total from the same point in 2015”, said John Neuffer, president and CEO, SIA.

“The Chinese market continues to stand out, growing nearly 16% year to year to lead all regional markets. As 2016 draws to a close, the global semiconductor market appears likely to roughly match annual sales from 2015 and is well positioned for a solid start to 2017.”

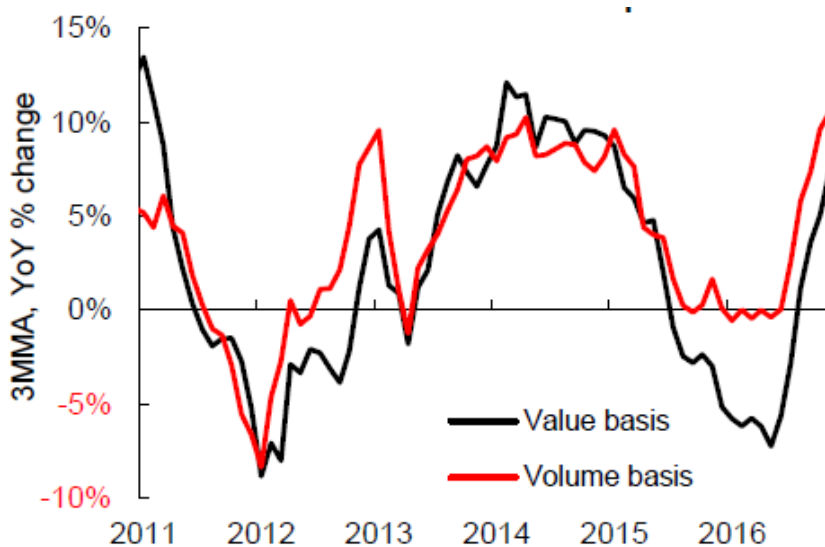


Figure 2: Global Semiconductor shipments (source WSTS)

EXPLORATION

Minimal exploration activities were undertaken during the quarter.

LOOKING FORWARD

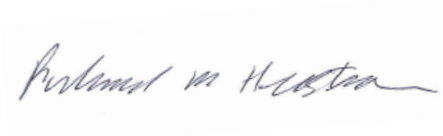
Commenting on the above, Interim CEO Richard Hedstrom said:

“The December quarter was one of considerable change for Kasbah and its stakeholders, however the company is now in a solid financial position and we will look to add to this strength via the proposed upcoming rights issue. Reflective of these changes, and in anticipation of continuing to progress the development of Achmmach, we have made some changes to the Board and will look to further strengthen the Board going forward.

With an improving price environment for tin, final technical work will now commence on Achmmach and the Company is set to re-engage with international financiers to secure project financing and move towards a decision to commence mine development this year.

I look forward to keeping all stakeholders informed of our progress.”

For and on behalf of the Board



Richard Hedstrom
Interim Chief Executive Officer

For further information please go to:

Or email:

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www.kasbahresources.com

info@kasbahresources.com

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ABOUT KASBAH RESOURCES

Kasbah Resources Limited (Kasbah) is an Australian listed mineral exploration and development Company.

Our commodity is tin.

Kasbah has two tin projects (the Achmmach Tin Project and the Bou El Jaj Tin Project) located in the Kingdom of Morocco:

- **Achmmach Tin Project JV in Morocco (75% Kasbah, 20% Toyota Tsusho and 5% Nittetsu Mining)**

Kasbah is the manager and operator of the Achmmach Tin Project JV. Toyota Tsusho Corporation (TTC) and Nittetsu Mining Co. Ltd (NMC) of Japan are Kasbah's strategic development partners in this JV. A positive definitive feasibility study (DFS) into a Small Start Option (SSO) for the development of a 2 staged, lower throughput, lower capital cost underground mine, concentrator and associated infrastructure at Achmmach was completed in August 2016.

- **Bou El Jaj Tin Project in Morocco (100% Kasbah)**

Kasbah retains a 100% interest in the prospective Bou El Jaj Tin Project. This project is 10km from the Achmmach Tin Project and is an early stage exploration opportunity that could become a satellite ore source for Achmmach. It is currently pre-resource and additional drilling is required on multiple targets within the Bou El Jaj permits.

FORWARD LOOKING STATEMENTS

This announcement contains forward-looking statements which involve a number of risks and uncertainties. These forward looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

MINING TENEMENT CHANGES DURING THE QUARTER

Project / Tenements	Location	Permit Number	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
NIL					

FARM-IN / FARM OUT AGREEMENT CHANGES

Project / Tenements	Location	Permit Number	Held at end of quarter	Acquired during the quarter	Disposed during the quarter
NIL					

INTERESTS IN MINING TENEMENTS

Project	Permit Type	Permit Number	Registered Interest
Achmmach	PE	2912	75%*
	PE	193172	75%*
Bou El Jaj	PE	213172	100%
	PE	193313	100%
Tamlalt	PE	223197	100%
	PE	223198	100%
	PE	223199	100%
	PE	223200	100%
	PE	223201	100%
	PE	223202	100%
	PE	223203	100%
	PE	223204	100%
Ezzhiliga (Zaer)	PR	2137996	100%
	PR	2137997	100%
	PR	2137998	100%
	PR	2137999	100%
	PR	2138023	100%
Ment	PR	1939809	100%
	PR	1939821	100%
	PR	1939822	100%
	PR	2138097	100%
	PR	2138098	100%
	PR	2138099	100%
	PR	2138100	100%
	PR	1940002	100%
	PR	1940003	100%
	PR	1940004	100%
	PR	1940082	100%
	PR	1940095	100%
	PR	1940099	100%

All permits are located in the Kingdom of Morocco.

LEGEND: PE – Permis Exploitation PR – Permis Recherche

* The Achmmach Tin Project is 100% owned by Moroccan incorporated Joint Venture Company Atlas Tin SAS. The shareholders of Atlas Tin SAS are Kasbah Resources Limited (75%), Toyota Tsusho Corporation (20%) and Nittetsu Mining Co. Ltd (5%). Kasbah is the Manager and Operator of the Achmmach Tin Project JV.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

KASBAH RESOURCES LIMITED

ABN

78 116 931 705

Quarter ended ("current quarter")

31 DECEMBER 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(280)	(621)
(b) development	-	-
(c) production	-	-
(d) staff costs	(185)	(382)
(e) administration and corporate costs	(605)	(817)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,069)	(1,815)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	3,730	3,730
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(45)	(45)
3.5	Proceeds from borrowings	500	1,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(30)
3.8	Dividends paid	-	-
3.9	Other (transactions with non-controlling interests)	91	109
3.10	Net cash from / (used in) financing activities	4,276	4,764

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	906	1,171
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,069)	(1,815)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,276	4,764
4.5	Effect of movement in exchange rates on cash held	(0)	(7)
4.6	Cash and cash equivalents at end of period	4,113	4,113

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,039	579
5.2 Call deposits	3,045	245
5.3 Bank overdrafts	-	-
5.4 Other (provide details) – Cash held in Morocco	29	82
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,113	906

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	109
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1,000	1,000
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Loan Agreement with Pala Investments Limited dated 10 August 2016. Interest rate accrues at 12% per annum and the loan is unsecured. On 18 December 2016, Kasbah and Pala agreed to extend the maturity of the loan, at no penalty, from 10 August 2017 to 31 December 2017. Additionally Kasbah, at its election, can extend the maturity for a further 6 months (to 30 June 2018) with the payment of a fee equalling 3% of the outstanding commitment at that time.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	299
9.2 Development	-
9.3 Production	-
9.4 Staff costs	517
9.5 Administration and corporate costs	585
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	1,401

Item 9.5 Administration and corporate costs includes the payment of approximately \$442,000 of estimated costs associated with the AMR Corporate Transaction which has now been terminated.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....
(Director/Company secretary)

Date: 30 January 2017

Print name: Trevor O'Connor

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.