



Kasbah Resources (KAS) - Update

Speculative Buy – PT 4.1c

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Security Details

Ordinary Shares	1.04b
Unlisted Options	6.5m
Market Cap. (m, undil.)	\$16.7
Cash & equivalents - 30/9	\$5.0m
Share Price (27/11/2017)	\$0.016
52 week high/low	\$0.028/\$0.012

Share Price Graph



Directors and Management

Russell Clark	CEO
Evan Spencer	COO
Keith Pollocks	CFO & Company Sec.
John Gooding	Non-Exec Chairman
Graham Freestone	Non-Exec Director
Hedley Widdup	Non-Exec. Director
Stephen Gill	Non-Exec. Director

Major Shareholders

Pala Investments Ltd.	21.6%
Lion Manager Pty Ltd.	13.7%
Acorn Capital Ltd.	4.8%
Thaisarco	4.6%
Traxys	4.3%

Investment Highlights

- The Achmmach Project is a large, primary tin deposit in Northern Morocco (2012 JORC-Compliant Ore Reserves stand at 6.56Mt @ 0.85% Sn for 55,500t of contained tin) with granted Mining Permits and an approved ESIA. The Joint Venture ownership consists of Kasbah (75%), Toyota Tsusho (20%) and Nittetsu Mining (5%).
- Morocco is a politically stable, low-risk jurisdiction. The government is seeking to triple resource sector revenue by 2025.
- Kasbah Resources appointed a new CEO (Russell Clark) effective 16th October 2017.
- AMC's recommendations have been adopted by Kasbah and incorporated into the on-going works program for the development of the Achmmach Project. As a result of the recommendations from the AMC Technical Report, the capital cost estimate and financial model for the Achmmach project will be revised and updated and the results released in Q1 2018.
- Ore sorting is currently being tested on the Achmmach ore. If successful, this has the potential to have a significant impact on throughput grade. The aim is to maintain a 750ktpa feed rate and potentially have smaller back end of the plant as a result, to achieve the equivalent tin production proposed in a 1Mtpa scenario.
- HPGR (High Pressure Grind Rolls) are also being investigated as an option for Achmmach to improve overall comminution efficiency.
- The Achmmach Project also has strategic partners, with both Toyota Tsusho and Nittetsu Mining remaining committed. Also, tin trading companies Thaisarco (4.6%) and Traxys (4.3%) have a significant holding in KAS.
- Based on the low Capex/Opex aspects of the Achmmach Project, we view Kasbah Resources (KAS) as a company with good exposure in an improving tin market and continue coverage with a Speculative Buy recommendation.

Achmmach Tin Project NPV (TC Estimates)

Reserve	6.56Mt @ 0.85% Sn (55,500t of contained tin)
Mine Life (years)	10.5
Tin Price (US\$/t)	20,000
Capex (US\$m)	89
AISC (US\$/t tin)	11,507
Tin Production (p.a)	3,970t Sn (only accounts for 1.5% of global production)
Tin in Concentrate	55%
Payable Tin	88.8%
Exchange Rate (AUD/USD)	0.75
NPV (AUD\$m) – 10.2% DR (nominal)	110
Project Ownership (KAS)	75%
Attributable NPV (AUD\$m)	82
P/NAV	0.40x
12mth Price Target (based on above calculations and prior to equity component construction funding)	4.1c

Sensitivities to Tin Price

Tin Price (US\$/t)	Attributable NPV (\$AUD)
15,000	(10)
16,000	8
17,000	27
18,000	44
19,000	63
20,000	82
21,000	100
22,000	118
23,000	136
24,000	155
25,000	174



Tin Spot Price at US\$19,650/t
(as at 24/11/2017)

Summary (Achmmach site visit)

The site visit at Achmmach highlighted a number of positive aspects for the project; including a supportive local community (predominantly farmers) and available infrastructure. The primary ore body itself is well defined with a substantial core yard to draw upon for data (see Figure 1).



Figure 1 – Core yard at the Achmmach Project

The various proposed mine layouts are also being reviewed through the DFS, with western-style environmental standards being applied to all design work (the topography of the area is allowing for items such as the tailings area to be constructed with minimal disturbance).

The landscape is quite barren and again this will work in the favour of Kasbah when going through the development phase (for the purposes of permitting and cost to clear the area for construction). The processing plant area is still to be confirmed, but there are a couple of ideal spots that are close enough to the proposed underground workings and offer enough space to accommodate a large scale operation (see Figure 2).



Figure 2 – Proposed area for the processing facilities at Achmmach (already with good road access)

The 20km of unsealed road that links the site to the sealed road network will be substantially upgraded and a 60kV/22kV transformer station is being proposed to accommodate the power requirements for site. The existing site camp is in good condition, but will be improved upon (and scaled up) once development/mining begins. There are also plans to upgrade the existing core preparation facility and construct site laboratory services.

The Moroccan tenements (on existing mining permits) owned by Kasbah also have substantial exploration upside in multiple directions. Once a pathway to production is established, Kasbah will look to further explore the area and build upon the current JORC Resource of 14.9Mt @ 0.85% Sn (127.3kt of contained tin). The Resource has been generated from 40m-spaced drilling and the Reserve has drill lines that are 20m apart. There are additional targets/extension areas and we are confident that further drilling will lead to a larger Reserve base. With this in mind, we believe all the pieces are in place to construct a long-life mine that will be economic in the current tin environment and provide jobs/additional infrastructure that will be welcomed by the community.

Kasbah plans to make a decision-to-mine by 2Q 2018 and be in production within 12-15 months of finalising mine finance. We view this as ideal timing and see Kasbah Resources as a unique opportunity to get exposure to the foreseeable growth in the tin market and further improvement in the tin price. Achmmach is considered a globally significant Reserve (based on the Committee for Mineral Reserves International Reporting Standards – or CRIRSCO) with the 3rd largest undeveloped tin deposit reported.

Major Undeveloped Tin Deposits

Deposit	Country	Company	Reserve (contained tin)
Bisie	Democratic Republic of Congo (DRC)	Alphamin Resources	114,366t
Rentails	Australia	Metals X	94,343t
Achmmach	Morocco	Kasbah Resources	55,500t

Alphamin Resources Corp. (AFM: TSXV – Market Cap ~C\$205m) has announced it secured an \$80m credit facility from a syndicate of lenders. That syndicate includes Sprott Private Resource Lending, Barak Fund SPC and Tremont Master Holdings.

Other significant investors in the Bisie project include the Industrial Development Corporation (IDC) which has committed to investing \$13.7m at the project level and Tremont which has committed to investing \$24.7m into the proposed Alphamin private placement.

This highlights the appetite for quality tin resources in a depleted market, particularly with the Bisie Project being located in the DRC, which presents a number of issues on both a political and project development front.

Technical Review – Achmmach Project

An independent technical review was conducted between March and June 2017 by AMC Consultants on the Achmmach Tin Project in Morocco. The review considered the Small Start Option Definitive Feasibility Study published in August 2016. The aim of was to have an independent assessment of the Definitive Feasibility Study and construction readiness of the Achmmach project, to identify opportunities for project optimisation, and to highlight areas for additional study required to de-risk key technical areas.

Key recommendations released in June 2017 included:

Mining

- Review of the mine geotechnical data and model in regards to mine design and stoping parameters
- Review of the recommended assumptions and schedule relating to cemented rock fill
- Review of development ramp-up rates for stoping activities and ore trucking at peak production rates

Processing Design

- Impact of the primary grind size increasing from 100µm to 150µm in the 2016 Small Start Up Option DFS
- The inclusion of Imhoflot cells as part of the flotation circuit
- The use of EDS mills as a replacement for rod mills in the grinding circuit

Ore Sorting

Ore sorting has been around for a while in a number of industrial capacities (as well as mining), but with increased available computing capacity, has recently gained increased attention with a number of major groups employing the technology as a way of generating greater operational efficiency. This could be applicable at the Achmmach Project and Kasbah Resources is underway to investigate the benefits ore sorting can potentially bring.

Apart from what has already been highlighted by Metals X (MLX) at the Renison operations (expected 15-20% increase in production); another example is the San Rafael mine in Peru (which accounts for ~6% of world production). A Tomra XRT (X-Ray Transmission) machine has been installed with positive results with both the primary ore and low grade stockpiles that would otherwise be uneconomic. It is because of these precursors that KAS is doing further test work before finalising the DFS in Q1 2018.

HPGR

HPGR, or high-pressure grinding rolls, have made broad advances into nonferrous metal mining. The technology is now widely viewed as a primary milling alternative, and there are a number of large installations commissioned in recent years. After these developments, a HPGR-based circuit configuration would often be the base case for certain ore types, such as very hard, abrasive ores. HPGR throughput has relatively little variation based on ore hardness and the grind coarsens with harder ore at equivalent throughput. HPGR circuits are more accommodating of ore variability.

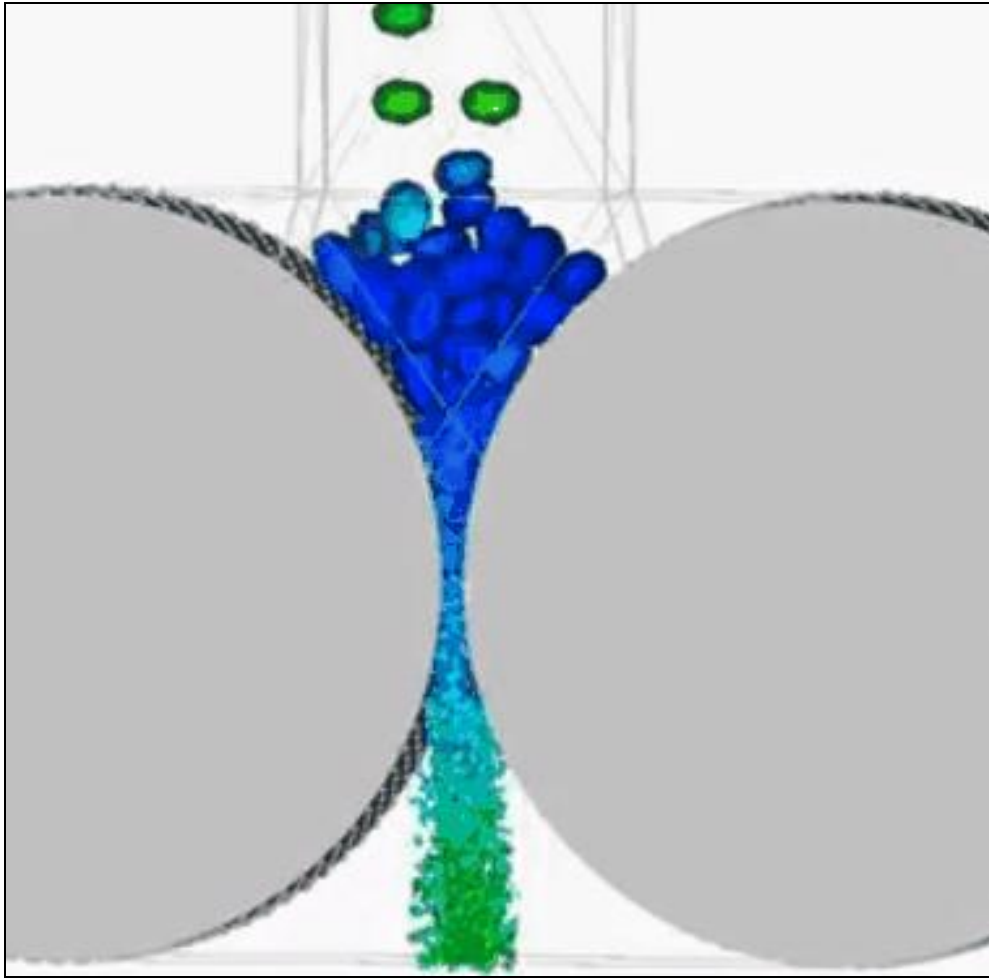


Figure 3 – Illustration showing the simple process of HPGR, which is being tested on the Achmmach ore

Tin Market

World tin production has been stable in recent years, with 2017 estimates at ~290ktpa (not including scrap/recycling) in a marketplace of ~350ktpa. The International Tin Research Institute (ITRI) has stated that it “expects a gradual upward trend in primary tin demand well into the future, although for many projects, a rise in tin prices or development of far more efficient exploration and mining technologies will likely be required to make the economic case for their development.” ITRI expects global supply to fall short of demand by 22,000 tonnes through to the end of 2018. (“Tin Industry Review 2017”, May 2017).



Figures 4/5 – 5yr Tin LME Stockpiles (as at 23rd November) and Tin Price (source: InfoMine.com and Iress)

The deficit forecast is pretty conservative given expectations of "slow consumption growth rates of less than 1 per cent per annum" and "optimistic assumptions about new mine start-ups and a recovery in secondary refined tin output". Primary ore suppliers of tin including Indonesia, China and Peru are all seeing production levels fall (see Figure 6). Myanmar has recently disrupted the tin market primarily due to mining of the limited alluvial Resources. This is viewed as a short-term production option and the need to secure reliable, long term supply is being recognised by market participants.

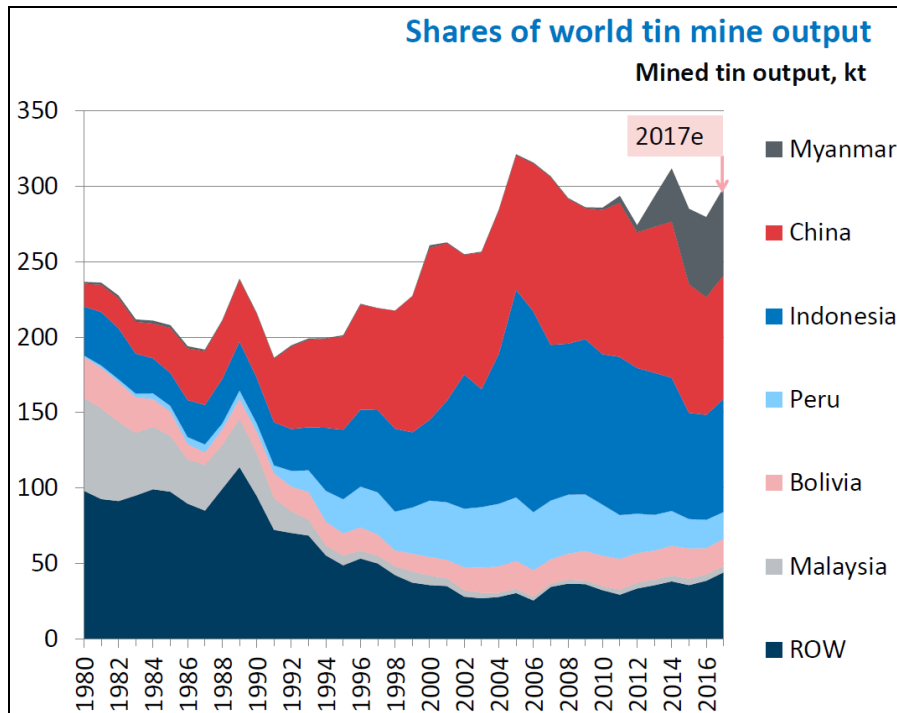


Figure 6 – World Mined Tin Output 1980-2017 (source: ITRI Presentation 2017)

Today, there is a greater amount of inventory sitting with the Shanghai Futures Exchange (circa 8,500t) than with the LME. Much of the supply/demand discrepancy has to do with the recycling of tin, but again, this is not viewed as a sustainable option in a growth market. Market analysts suggest that a price of ~US\$25,000/t Sn will be required to trigger significant new development.

Kasbah Resources' Potential Milestone Timeline

Technical Independent Review by AMC	Released
High Pressure Grinding Rolls (HPGR) and ore sorting test work	Ongoing
Review of AMC Recommendations and completion/release of DFS	1Q 2018
Recommence pre-project activities	2Q 2018
Decision to Mine + Financing	2Q 2018
Commencement of construction	Mid-2018
First Ore Production	2019

Appointment of new CEO

Kasbah Resources (KAS) advised the market that Russell Clark has been appointed the new CEO, effective 16th October 2017.

Russell's addition is in line with Kasbah's strategy of bringing the Achmmach Tin Project into production and supports the transition from a feasibility study phase to the funding, construction and ultimately production phases of the project.

Mr Russell Clark

Chief Executive Officer

Russell is a highly experienced and successful senior resource sector executive, and has more than 38 years' experience in technical roles, project development, general management and executive positions in the UK, USA, Africa, South America, Papua New Guinea, and throughout Australia. Russell was most recently Managing Director of Wolf Minerals from 2013 to 2017 where he had responsibility for successfully financing and developing the Hemerdon tungsten and tin project in United Kingdom.

He was previously Managing Director of Grange Resources, Australia's largest magnetite producer at the time. During his 4.5yr tenure with Grange he oversaw its successful merger with Australian Bulk Minerals, completed a bankable feasibility study for Grange's \$3 billion Southdown magnetite project and grew market capitalisation from ~\$200 million to ~\$1 billion. His prior experience also includes roles with Newmont and Normandy, for a period of eight years, following 18 years at Renison Goldfields. At Newmont he was the Group Executive-Operations, responsible for seven gold mines in Australian and New Zealand.

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