

Monday 26th March, 2018

Meeting with Russell Clark, CEO of Kasbah Resources

Kasbah Resources - (ASX: KAS, Share Price: \$0.016, Market Cap: \$17m, coverage initiated @ \$0.016 in Mar 2018)



Key Catalyst

Improving tin prices lead to renewed focus on advanced, large-scale tin projects

I had the opportunity to meet with KAS' new CEO, Russell Clark in Sydney. He has joined the company at a very interesting time, as he attempts to change market perceptions about what is quite an old, familiar story to most investors. Since its listing in 2007, KAS' ambition has been to commercialise its Achmmach tin project in Morocco, but has battled against persistent tin price weakness. More recently, tin prices have finally begun to work in the company's favour.

Achmmach's primary attraction is its advanced status – it has all major approvals in place and is one of the most advanced tin development projects in the world. In response to low tin prices, in mid-2017 KAS decided to revise the scale and scope of Achmmach and is currently undertaking a DFS on a 'small-start' lower-cape option, with the results expected to be released by mid-2018.

Achmmach Tin Project

KAS holds a 75% stake in the Achmmach project, which is the most advanced tin development project in the world. Other partners are Toyota Tsusho Corporation – 20% and Nittetsu Mining Co – 5%. The lies approximately 140km southeast of the Moroccan capital of Rabat and consists of two Exploitation Permits (PE No 2912 and PE No 193172) that cover an aggregate area of 32 sq km.



The project was discovered by the Moroccan government agency, the Bureau des Recherches et de Participations Minières (BRPM) in 1985, exploring Achmmach until 1992 - and in the process completing more than 14,000m of diamond core drilling and excavating a shallow exploration shaft.

KAS commenced exploration at Achmmach in 2007 with the objective of upgrading the small 2Mt JORC-compliant resource by way of additional diamond drilling, then advancing the project through scoping study, pre-feasibility study, definitive feasibility study and ultimately full project development. During this process, Toyota Tsusho Corporation (TTC) and Nittetsu Mining Co Ltd (NMC) of Japan become project level strategic partners - TTC acquiring a 20% interest and NMC a 5% interest in project.

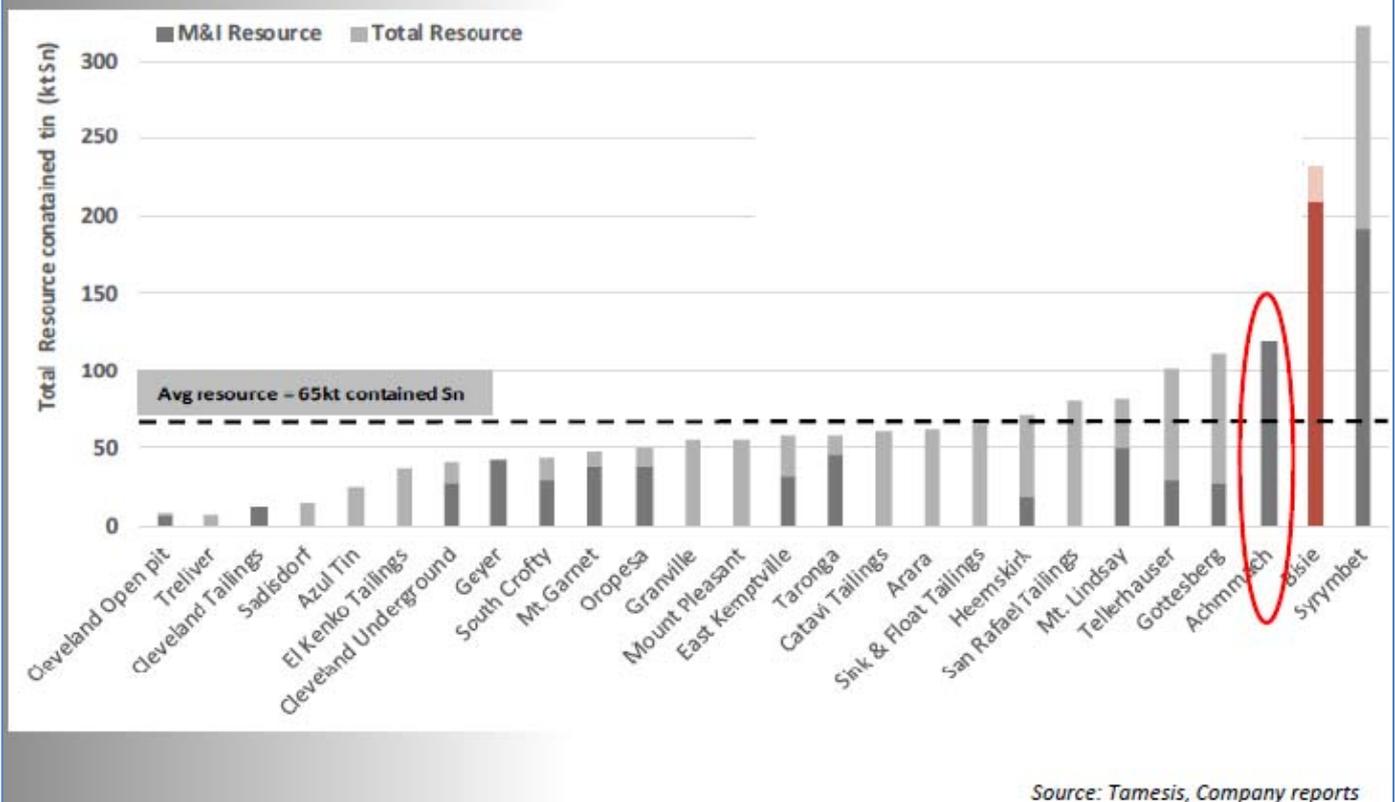
KAS by 2015 had completed in excess of 130,000m of diamond drilling into the main Meknes Trend at Achmmach, expanding the JORC Resource to 14.9Mt @ 0.85% Sn for approximately 127,300t of contained tin. It also announced a JORC Reserve for Achmmach of 9.2Mt @ 0.77% Sn (for approximately 71,300 t of contained tin) and completed an Enhanced Definitive Feasibility Study (EDFS) that integrated the high-grade Western Zone target (from the largely untested Sidi Addi Trend) into the full 1Mtpa Meknes mine design.

Integrating the WZ extended the mine life to approximately 10 years, reduced pre-production capital costs and significantly reduced C3 cash production costs to US\$13,296/tonne of tin-in-concentrate.

KAS during 2016 revised the scale and scope of Achmmach in response to weak commodity pricing, instead looking at a more modest operation, known as the Small Start Option (SSO), which would treat up to 750,000 tonnes per year tin ore. KAS subsequently released a DFS into the SSO that produced further substantial reductions in capex to US\$61.7M and C3 operating cost of US\$13,811/t tin in concentrate, based on an Ore Reserve of 6.6Mt at 0.85% Sn.

KAS during mid-2017 announced the results of an independent technical review of the SSO by AMC, with work now underway on implementing recommendations made, the results of which will be released in a revised DFS during mid-2018.

Benchmarking Achmmach

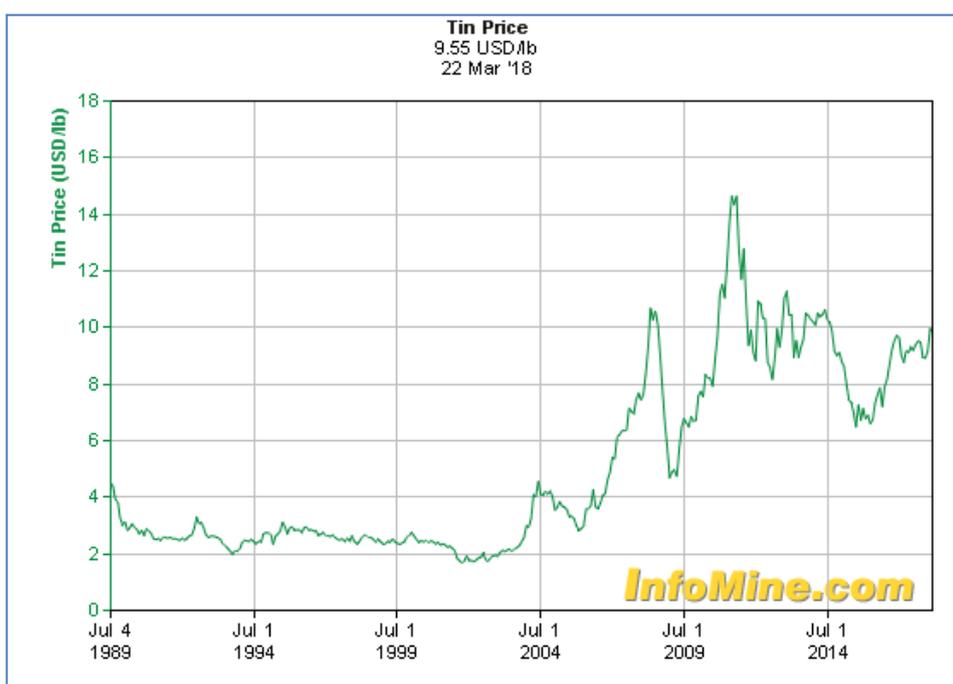


Highlights from the Small Start Option (SSO) DFS that is currently under review are as follows:

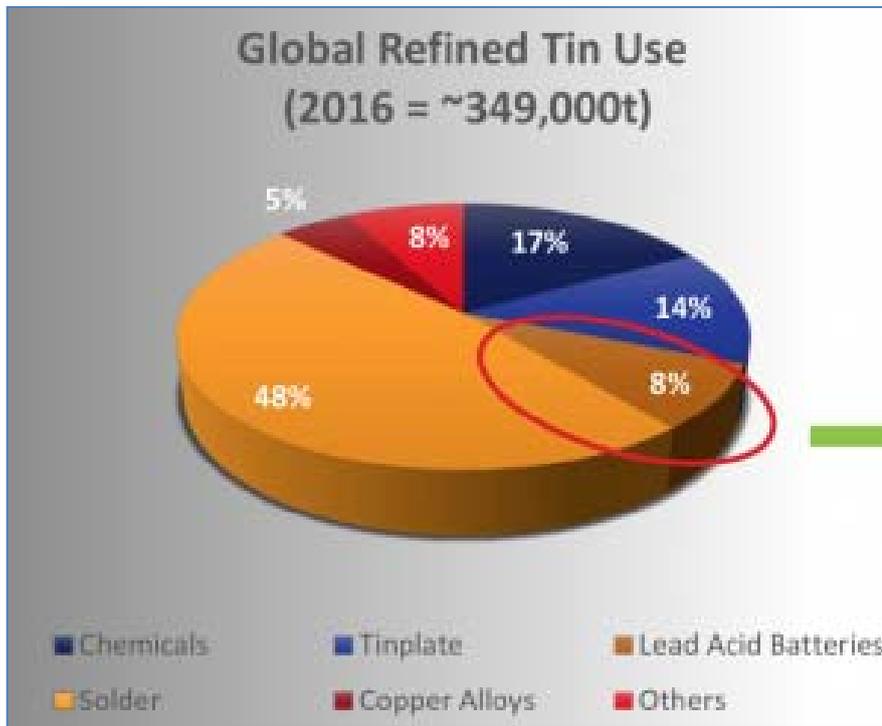
- Ore reserve of 6.56 Mt @ 0.85% Sn for 55,500 tonnes contained tin
- Stage 1 Mine Production: 1.89 Mt @ ≈0.96 % Sn
- Stage 2 Mine Production: 4.67 Mt @ ≈0.80 % Sn
- Life of Mine (LOM): 10.5 years
- Average annual production of ≈3,970 tonnes of tin in concentrate
- All in sustaining costs (AISC) of US\$11,507/t Sn
- Project construction capital cost of US\$61.7M
- On an after-tax, un-gearred basis (using the 21/7/16 LME spot Sn price of US\$17,830 per tonne and an 8% discount rate), the DFS generates:
- NPV of 100% of the project: US\$51M
- Kasbah 75% of NPV: US\$38M
- Internal Rate of Return (IRR) of 20.6%
- Payback period of 3.8 years
- Life of Mine free cash flow of US\$120M,

Background to Tin

Tin is a metal that investors typically know relatively little about. Perhaps it's due to the fact that there aren't many ASX-listed tin producing companies, so investors have historically had little financial exposure to the metal. It's fair to say that tin doesn't have the same lustre, nor attract the same speculative crowd as say gold, copper, nickel or zinc. And it hasn't experienced the same investor rush as other strongly-performing new-age metals, such as lithium, cobalt and vanadium. Simultaneously, its lack of jewellery applications keeps it firmly away from precious metals investors. But tin prices are on the rise.

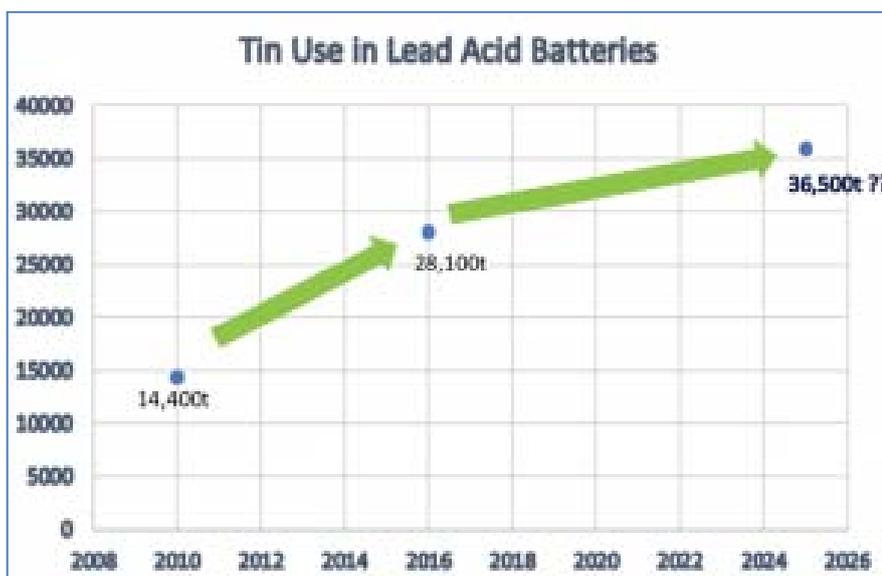


As this graphic from a recent KAS presentation shows, electrical solder remains by far the most important application for tin, dwarfing tinplate (the application with which many of us most commonly associate tin).

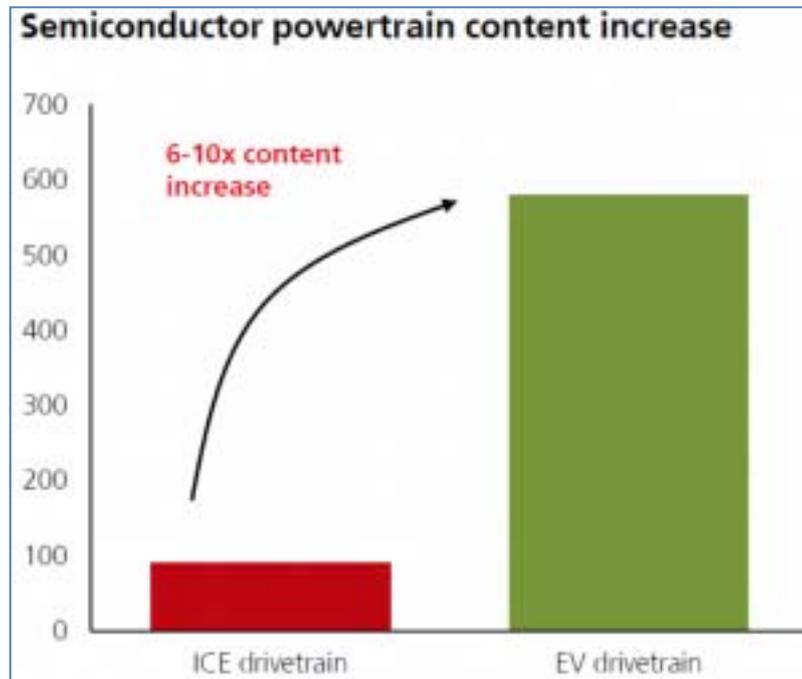


Even tin's use in chemicals is greater than tin plate and that application may be challenged in the years ahead by tin's use as an additive in the manufacture of lead acid batteries.

The graphic below shows the projected consumption of tin in the manufacture of lead acid batteries, where tin has found growing demand since the development of the sealed lead acid battery. Tin extends the battery's life and crucially reduces the amount of antimony, which is deemed a toxic substance.



Tin will continue to benefit from the widespread use of internal combustion engine (ICE) vehicles, whilst it will also participate in the expected boom in electric vehicles (EVs). The electrical complexity and consumption of electrical components in an EV is a factor of 6-10 times that of an ICE, so the amount of tin used in solder is significantly higher.



The rise of EVs, therefore, has a direct benefit for tin consumption, even if it comes at the expense of the ICE and conventional lead acid batteries. Tin plate might not be the largest driver of tin consumption, but tin remains a crucial component of tin plate prices. The trend for tin prices - recent pullbacks across the metals sector excepted - has been upward since last year and the supply market remains supportive for higher prices in the future.

Summary

I've elected to introduce KAS to our coverage Watch-List due to the fact that it's a relatively modestly-valued, but advanced asset play. For some, the story might be considered stale. Certainly, the Achmmach project has been around for more than a decade and will have tested the patience of many investors. On the other hand, volatility in tin pricing has been the big issue that's stalled project development, but things are now looking significantly rosier. Six of the world's top-ten tin producers reduced output last year and there has been significant underinvestment in new mines over recent years. For those looking at the KAS story with an open mind, it could represent an advanced entry into a commodity that's leveraged to the burgeoning battery sector. Accordingly, we're initiating coverage of KAS at a price around \$0.016.

Disclaimer: Gavin Wendt, who is a director of Mine Life Pty Ltd ACN 140 028 799, compiled this document. It does not constitute investment advice. I wrote this article myself, it expresses my own opinions and I am not receiving compensation for it. In preparing this article, no account was taken of the investment objectives, financial situation and particular needs of any particular person. Investors need to consider, with or without the assistance of a securities adviser, whether the information is appropriate in light of the particular investment needs, objectives and financial circumstances of the investor. Although the information contained in this publication has been obtained from sources considered and believed to be both reliable and accurate, no responsibility is accepted for any opinion expressed or for any error or omission in that information. I have no positions in the stock mentioned and no plans to initiate any positions within the next 72 hours.