

15 October 2018

ASX: KAS

Share price: \$0.008



KASBAH SECURES ADDITIONAL FUNDING THROUGH A\$5 MILLION CONVERTIBLE LOAN

ABOUT KASBAH

Kasbah is an Australian listed mineral exploration and development company.

The company (75%) and its Joint Venture partners, Toyota Tsusho Corp (20%) and Nittetsu Mining Co. (5%), are advancing the Achmmach tin project towards production in the Kingdom of Morocco.

PROJECTS

Achmmach Tin Project
Bou El Jaj Tin Project

CAPITAL STRUCTURE

Shares on Issue:	1,045m
Unlisted Options:	6m
Unlisted Rights:	52m
Cash @ 30/06/18:	\$3.0m

MAJOR SHAREHOLDERS

Pala Investments	21.5%
African Lion Group	13.1%

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Kasbah Resources Limited (Kasbah) (ASX: KAS) is pleased to announce that it has secured a A\$5 million convertible loan financing from its cornerstone strategic investor, Pala Investments Limited (**Pala**).

The balance of the existing Pala loan, which at the time of shareholder approval will be A\$3.5 million (plus accrued interest and capitalised charges), will be further increased, extended and rolled into the convertible loan, providing up to \$1.5 million of additional funding.

This additional funding demonstrates Pala's confidence in the results of the Definitive Feasibility Study (**DFS**) for the Achmmach Tin Project (ASX announcement, 16 July 2018) and in Kasbah's ability to advance the project into construction, which is anticipated to commence in the first half of 2019.

The convertible loan, which is subject to satisfaction of certain conditions precedent including receipt of Kasbah shareholder approval, will be priced at A\$0.012, being approximately 32% premium to Kasbah's 20 trading day VWAP and 50% premium to the closing price immediately prior to the date of this announcement.

Pala will make an immediate advance of A\$500,000 under the existing loan agreement and extend the maturity date of the existing loan from 31 December 2018 to 31 March 2019 to allow Kasbah to continue with the execution of its plans while shareholder approval is sought for the convertible loan, expected in December 2018. The additional proceeds received from the advance under the existing loan agreement and convertible loan, if approved by shareholders, will be used to fund preliminary development expenditure in relation to the Achmmach Tin Project for project financing, engineering and technical optimisation work, and provide working capital.

Commenting on the financing transaction Mr Russell Clark, Kasbah CEO, stated:

"We are very pleased with the ongoing support Pala demonstrates in Kasbah and the Achmmach Tin Project. This commitment of additional funding follows Pala's initial strategic investment in Kasbah in December 2016 and will bring Pala's total equity and loan investment in Kasbah to in excess of A\$10 million since that initial investment. The financing announced today removes a near-term repayment event and provides Kasbah with further capital to progress key workstreams including engineering and financing ahead of project construction planned for the first half of 2019".

"We carefully considered our near-term funding options prior to agreeing to proceed with the Pala convertible loan proposal. It is important to note that Kasbah remains free to progress any alternative funding proposals that emerge prior to the shareholder vote that is expected to be held in December 2018."



A Notice of Meeting with further information on the proposed financing and an independent expert's report evaluating the financing transaction will be despatched to shareholders in the coming weeks.

Terms of the financing

- Pala has agreed to make an immediate advance of A\$500,000 under the existing loan agreement and extend the maturity date to 31 March 2019
- If financial close on the Pala convertible loan cannot be reached by 31 January 2019, the full balance outstanding on the loan will be payable in cash by the new maturity date
- Including interest, capitalised fees and the additional funds advanced, the balance of Kasbah's existing loan is expected to be A\$4.1m by 31 March 2019
- All other terms of the existing loan remain unchanged

The material terms of the Pala convertible loan are as follows:

- Principal amount of A\$5 million. The principal amount can be reduced and/or cancelled subject to funding requirements at the time
- Interest of 12% per annum and an arrangement fee of 2%
- Maturity date of 31 December 2019, subject to a Kasbah option to extend the maturity date by a further 12 months to 31 December 2020 for a 2% extension fee. An interest rate of 15% will apply from 1 January 2020 if extension option exercised
- Loan is convertible by Pala into fully paid ordinary shares at A\$0.012 per share
- Any shares issued pursuant to conversion prior to 30 June 2019 will be escrowed until 30 June 2019
- Kasbah may repay some or all of the loan at any time prior to maturity subject to conversion rights and a prepayment fee
- Convertible loan is senior secured (per the existing loan)
- If financial close has not been reached by 31 January 2019, all amounts owing under the existing loan will become repayable in cash on 31 March 2019

Financial close on the convertible loan facility is expected to occur by end of December 2018 following receipt of all applicable approvals and satisfaction of customary closing conditions.

If Pala were to convert all of its loan under a fully drawn facility due to mature 31 December 2019, and based on Kasbah's current issued capital, Pala would hold a maximum voting power in Kasbah of approximately 46%¹. If maturity was extended to December 2020, then the maximum voting power of Pala on the same capital base would be 49%².

¹ Assumes A\$5m drawn on the loan, all fees and interest are capitalised and the full amount converts to ordinary equity on the maturity date.

² Assumes A\$5m drawn on the loan, the loan extension option is exercised, all fees (including the extension fee) and interest are capitalised and the full amount converts to ordinary equity on the maturity date.

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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.

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