

31 January 2020
ASX: KAS
Share price: \$0.015



DECEMBER 2019 QUARTERLY REPORT

Throughout the December quarter Kasbah has steadily progressed with its corporate restructuring and reduction of discretionary expenditure to navigate the company through the current market conditions and to position itself to take advantage of improving conditions when the cycle turns.

HIGHLIGHTS

- **Interim funding secured;** Kasbah secured an additional \$1.3 million convertible loan financing from Pala Investments Limited. Kasbah also exercised its option to extend the maturity of the loan from 31 December 2019 to 31 December 2020. Following satisfaction of condition precedents, including receipt of Kasbah shareholder approval, the first tranche of \$800,000 was drawn down.
- **Board and management restructure;** The Company completed the restructuring and of its management and board, with the appointment of Mr Ashvin Seetulsingh and Mr Nicholas Slade as non-executive directors in January 2020. Mr Seetulsingh and Mr Slade bring the necessary experience and expertise to the board to support and guide the company through the next phase.
- **Review of optimisation opportunities and strategic initiatives;** The Company continues to progress with its project optimisation works and strategic partnerships for its ongoing projects.

Kasbah's Executive Chairman, Mr Evan Spencer commented:

"At the end of 2019, in response to a depressed tin market and weak broader economic conditions, the Company undertook to review its corporate structure to minimise spend and ensure the company is lean and agile to navigate these conditions. The December quarter has largely been focussed on achieving these targets. Whilst we look at cost saving opportunities at the corporate level, the company's Moroccan operations remain the priority and are not impacted by these changes.

I also would like to take this opportunity to thank the resigning directors and management who have worked tirelessly over a number of years to bring the Achmmach Tin Project to its current state. At the same time, we are pleased to welcome Ashvin and Nick to the board who will work with management and shareholders to drive the company forwards."

For and on behalf of the Board of Directors.

For further information, contact Evan Spencer, Executive Chairman at +61 3 9482 2223.

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:	135m
Unlisted Options:	0.2m
Unlisted Rights:	18m
Cash @ 31/12/19:	\$0.9m

MAJOR SHAREHOLDERS

Pala Investments	34.2%
African Lion Group	10.3%

CONTACT US

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DECEMBER 2019 QUARTERLY REPORT

Kasbah Resources Limited (ASX: KAS) (Kasbah or The Company) is pleased to provide this update to the market for the quarter ended 31 December 2019.

ACHMMACH TIN PROJECT IN MOROCCO

Achmmach Tin Project Financing

In 2019, the Company completed Front End Engineering Design (FEED) and the Independent Technical Specialist Report (ITSR) and advanced discussions with financiers for the construction of the Achmmach Tin Project. However, with the decline in the tin price and sustained demand challenges in the current global macro-economic environment, the Company decided not to rapidly advance project financing activities until such time that market conditions are favourable for project funding.

Throughout the December quarter, the Company has continued to progress with its project related optimisation initiatives, including investigating opportunities to reduce operating costs and extending mine life. Nevertheless, the Company determined it to be prudent to take the immediate steps to navigate through the current market conditions.

Notwithstanding these short-term challenges, the Achmmach Tin Project is the most advanced greenfield tin project in the world located in a safe, secure, conflict free and mining friendly jurisdiction, and the work completed to date has established its technical and financial viability. Kasbah is ready to take best advantage in an improved tin price cycle when the market turns.

EXPLORATION

The company completed a drilling program at the Achmmach Tin Project in 2019 which established the continuity of tin mineralisation, with mineable widths and grades intersected along the Sidi Addi strike, a parallel structure to the main Meknes trend.

Having established the continuity of tin mineralisation, additional drilling will be required for a mineral resource to be defined. The company does not intend to undertake further drilling at this stage, however, it has continued to work on interpretation of the Sidi Addi trend mineralisation with a view of developing a further phase of diamond drilling in the future.

CORPORATE

Additional Funding Secured

The Company secured an additional \$1.3 million convertible loan financing from its cornerstone strategic investor, Pala Investments Limited (ASX Announcement, 1 October 2019). The balance of the existing Pala convertible loan of A\$5.6 million (including accrued interest and capitalised charges) as at 30 September 2019, was increased by the new loan of A\$1.3 million, and Kasbah also exercised its option to extend the maturity of the current loan for a further 12 months from 31 December 2019 to 31 December 2020.

The additional funding was subject to satisfaction of certain conditions precedent including receipt of Kasbah shareholder approval. Kasbah shareholders voted in favour of the convertible loan financing at the Annual General Meeting. Following satisfactory completion of other condition precedents, the first tranche of \$800,000 under this facility was drawn down on 6 December 2019.

Board and Management Changes

In line with the Company's immediate objective to restructure the corporate structure, a number of personnel changes occurred during and subsequent to the quarter.

Mr Keith Pollocks stepped down as Chief Financial Officer and Company Secretary with effect from 13 December 2019 and was replaced by Mr Pradeep Subramaniam.

Mr John Gooding retired as Chairman with effect from 31 December 2019 and was replaced by Mr Evan Spencer, who steps up into an Executive Chairman role.

Subsequent to the end of the quarter, Mr Graham Ehm and Mr Martyn Buttenshaw resigned as directors and were replaced by Mr Ashvin Seetulsingh and Mr Nicholas Slade.

Annual General Meeting

The Company held its 2019 Annual General Meeting on 28 November 2019. All resolutions put forth to the shareholders at the meeting were approved.

Resolutions	For	Against	Abstain	Results
1. Adoption of Remuneration Report	71,069,275	1,997,925	833,496	Carried
2. Re-election of Mr Martyn Buttenshaw as a Director of the Company	73,451,667	1,720,977	349,635	Carried
3. Approval of the Convertible Loan Facility	25,856,716	4,009,613	45,585,836	Carried
4. Approval of 10% Placement Facility	73,881,142	1,595,818	45,319	Carried
5. Spill Resolution	-	-	-	Not required

FINANCIAL

Cash and debt

Cash and short-term deposits at 31 December 2019 were \$0.9 million.

Debt plus capitalised interest as at 30 September 2019 was \$6.5 million.

Please refer to the attached Appendix 5B for further information.

Related party payments referred in Appendix 5B relates to payment of Director Fees.

TIN MARKET

Prices

Tin prices continued its weak run during the quarter, ranging between a high of \$17,420/t and a low of \$15,950/t and averaging \$16,665/t. The tin price was relatively stable compared to the previous quarter, fluctuating largely within a narrow band. The tin price movement was inversely correlated to the LME tin inventory which reached a high of 7,390. LME tin stockpiles were at historic lows in May 2019. Consistent with the seasonal impact of the Chinese lunar new year, the tin prices increased in January, reaching \$17,750/t. However, consistent with other metals, tin price subsequently dropped off with the adverse market reaction to the spread of the Coronavirus.

The increase in tin inventory compared to the historical lows in May 2019 can be attributed to weak demand across the board, with the global semiconductor markets particularly impacted by the ongoing global trade disputes. Negative market sentiment due to the Coronavirus has also impeded global demand. Whilst the long-term market fundamentals remain unchanged and prices are expected to rise over the medium term, in the short term, the depressed tin prices are expected to continue.

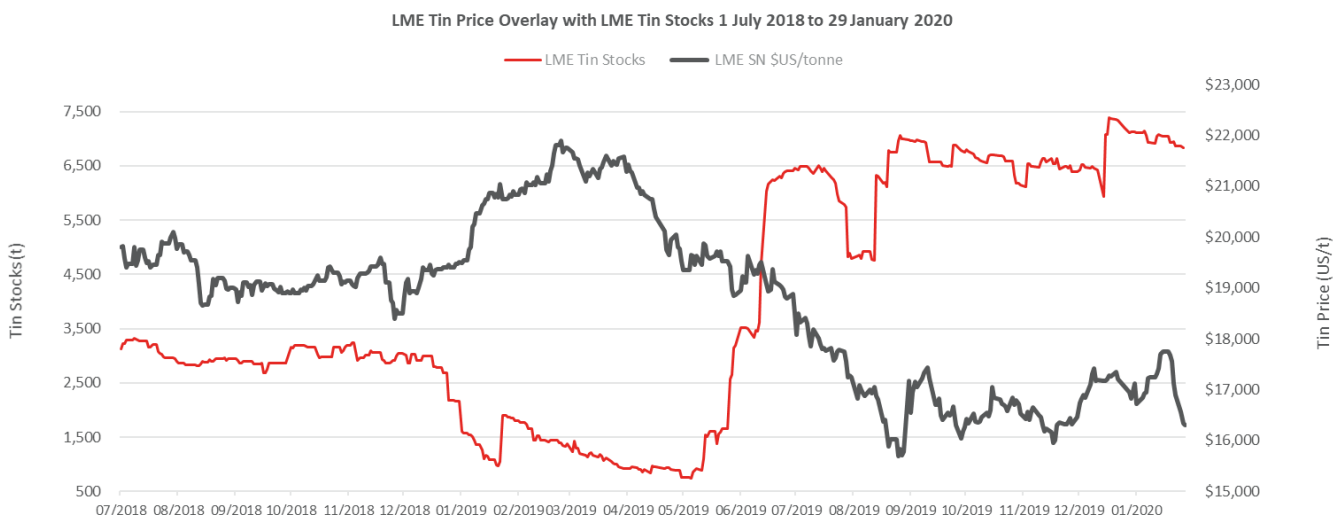


Figure 1: LME Tin Price vs LME Stocks – 1 July 2018 to 29 January 2020

Supply side: higher inventory levels, slowing mine supply

London Metal Exchange (“LME”) stockpiles have continued to increase with stock levels above 6,000 tonnes for most of the quarter.

Notwithstanding the inventory levels, mine supply continues to be a challenge for the market as large tin producing countries experience significant grade depletion. The International Tin Association (ITA) reports that Myanmar tin imports into China has decreased 24% YOY. Chinese and Indonesian producers have also continued to reduce output in response to weak demand but also declining tin production. In the near term, the weak demand for tin, eased the pressure on supply constraints, however, the tin market is projected to be in deficit in the coming years.

The ITA and Reuters have forecast that the challenging tin price environment will continue in 2020. Although demand is expected to recover slightly, new smelting capacity and rebound mine production is likely to offset and increase in demand.

Demand side: solder continues to be the largest driver, upside from EV revolution

Solder continues to be the largest use of tin, contributing 47% of tin demand, followed by chemicals (18%) and tin plate (13%). ITA’s Global Tin Use Study forecasts an overall contraction in tin use of approximately 2%, with solder, chemicals and tin plate (contributing approximately 78% of global tin demand) contracting between 2% and 3% in 2019. Based on the latest data from the Semiconductor Industry Association, global semiconductor sales (used as a barometer for solder demand) contracted by 11% YOY in January-July 2019 after a 16% increase in 2018. World Semiconductor Trade Statistics forecasted a decline of 13% during the whole of 2019.

Whilst the short-term demand challenges are expected to continue in the foreseeable future, the medium and longer-term fundamentals remain solid. There continues to be ongoing dialogue to ease the trade tensions between the United States and China and the technology tensions are likely to deescalate - especially from next year - after China, Japan and South Korea hold their annual trilateral summit in 2020.

As previously reported, in 2018 the Massachusetts Institute of Technology (MIT) highlighted tin’s potential in new energy applications, with tin seen as the mineral most impacted by new technology. The trends in energy and technology are expected to drive future tin demand with exponential increase in the use of tin in computing and advanced robotics, renewable energy and storage and autonomous and electric vehicles.

The EV/PHEV revolution is also expected to have a significant impact on tin demand. It is reported that EV/PHEV require up to 7x more tin than its traditional gasoline-based counterparts from increased electronics. Furthermore, there continues to be research in tin’s properties as a battery mineral, as part of lithium-ion batteries as well as other battery technologies.

The themes of supply pressure and increasing demand from existing and new technology applications remains firmly in place and supportive of a robust long-term price outlook. Solder remains the likely largest consumer of tin with the miniaturisation of electronics more than offset by the growth of electronic components. The tin demand in lead acid batteries was the only major tin use which is expected to grow in 2019, albeit at a moderate 1%.

Outlook looks promising

Our view for the outlook for tin remains unchanged. Although the tin price has seen short term pressures, the medium-term price outlook remains strong with mine supply continuing to face challenges, and demand continuing to outpace supply resulting in a global deficit of tin. The Achmmach Tin Project remains the most advanced greenfield tin project in the world. Furthermore, compared to projects that are expected to address the market deficit, the Achmmach Tin Project is situated in a safe and mining friendly jurisdiction.

Follow us on Twitter and LinkedIn for updates.



: @KasbahResource



: Kasbah Resources Ltd

Links to Kasbah's Twitter and LinkedIn pages can be found at the Company's website.

ABOUT KASBAH RESOURCES

*Kasbah Resources Limited (**Kasbah**) is an Australian ASX 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 Joint Venture (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. Achmmach is one of the world's largest and most advanced undeveloped tin projects with projected low operating costs and located in a mining friendly jurisdiction at the gateway to Europe.

- **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	LE	332912	75%*
Bou El Jaj	PE	213172	100%
	PE	193313	100%
Tamlalt	LE	323295	100%
Ezzhiliga (Zaer)	PR	2137997	100%
	PR	2137999	100%
Ment	PR	3558383	100%
	PR	3558384	100%
	PR	3558385	100%

All permits are located in the Kingdom of Morocco.

LEGEND : LE – Licence D'exploitation 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 Joint Venture.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

KASBAH RESOURCES LIMITED

ABN

78 116 931 705

Quarter ended ("current quarter")

31 December 2019

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 (if expensed)	(454)	(1,265)
(b) development	-	-
(c) production	-	-
(d) staff costs	(256)	(346)
(e) administration and corporate costs	(245)	(565)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(955)	(2,175)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	-	-
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow 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) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (refund of bank guarantees)	2	3
2.6	Net cash from / (used in) investing activities	2	3

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	800	800
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(6)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	60	347
3.10	Net cash from / (used in) financing activities	860	1,141

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,011	1,916
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(955)	(2,175)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2	3
4.4	Net cash from / (used in) financing activities (item 3.10 above)	860	1,141

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(6)	27
4.6	Cash and cash equivalents at end of period	912	912

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	725	477
5.2	Call deposits	25	25
5.3	Bank overdrafts	-	
5.4	Other (Cash held in Morocco)	162	509
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	912	1,011

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
1
-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	6,900	6,400
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	6,900	6,400

7.5 **Unused financing facilities available at quarter end** 500

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

On 20 December 2018, following approval by shareholders at the Annual General Meeting, the Company drew down \$5,000,000 under the Convertible Loan Agreement with Pala Investments Limited. The loan is secured against the assets of Kasbah Resources Limited other than Kasbah's interest in the Atlas Tin Project joint venture (which requires the consent of the other joint venture parties pursuant to the terms of the Atlas Tin Shareholders Agreement), with interest charged at 12% per annum. Maturity of the loan was 31 December 2019, subject to a Kasbah option to extend the maturity to 31 December 2020 for a 2% extension fee and a step up in the interest rate to 15%.

On 1 October 2019, the Company entered into an increase and extension of the existing facility (\$5.6 million inclusive of capitalised fees and interest). The facility was increased by \$1.3 million to be drawn down in two tranches; the first tranche following shareholder approval and a the second tranche after 1 June 2020. Following shareholder approval at the Annual General Meeting, the first tranche of \$800,000 was drawn down.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(955)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(955)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	912
8.5 Unused finance facilities available at quarter end (Item 7.5)	500
8.6 Total available funding (Item 8.4 + Item 8.5)	1,412
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1,5

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: The Company expects to have lower levels of net operating cashflows as it is in the process of implementing a restructure of its corporate costs to reduce its cost footprint. Furthermore, the current quarter net operating cash flows includes one-off redundancies, which are not expected to be ongoing.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: The company continues to engage with key shareholders and is in the process of evaluating its strategic options with regards to partnerships of its ongoing projects. The company also has the option to raise equity utilising its placement capacity or through and capital raising.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: The entity expects to continue its operations and meet its business objectives with its reduced cost footprint and potential future funding either through debt or equity.

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.

Date: 31 January 2020

Authorised by: By the Board

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.