

30 October 2019
ASX: KAS
Share price: \$0.031



SEPTEMBER 2019 QUARTERLY REPORT

Kasbah successfully proved the continuity of mineralisation along the previously untested Sidi Addi trend, confirming the long-term geological potential of this trend. In addition, Kasbah also successfully renewed the ESIA for the Achmmach Tin Project for a further 5 years, securing the tenure of its mining license. On the back of these positive outcomes, subject to shareholder approval, an additional \$1.3 million funding was secured.

HIGHLIGHTS

- **Exploration drilling completed;** The company completed an initial drilling program which proved the continuity of tin mineralisation along the 1.2 km strike of the previously untested Sidi Addi trend. Whilst additional drilling will be required for a mineral resource to be defined, the drilling program provided an insight into the long-term potential of the Achmmach Tin Project.
- **ESIA renewed;** The Achmmach Tin Project's Environmental and Social Impact Assessment (ESIA) which was initially granted in December 2014, was renewed for a further 5 years to July 2024. Renewal of the ESIA was a critical milestone, securing the mining license of the project.
- **Interim funding secured;** The company 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. The closure of this transaction is subject to satisfaction of certain conditions precedent, including receipt of Kasbah shareholder approval.

Kasbah's Chief Executive Officer, Mr Evan Spencer commented:

"With the results from our drilling campaign, which saw higher grade intercepts than initially expected, we now know that Achmmach Tin Project has the potential to be a larger project with a longer mine life. This allows us to look at the project from a different angle and opens up many opportunities.

Although we continue to make progress on project related activities, we believe that it is prudent that the Company take steps to navigate the current market conditions and to position ourselves to take advantage of improving conditions when the cycle turns."

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:	133m
Unlisted Options:	0.6m
Unlisted Rights:	12m
Cash @ 30/09/19:	\$1.0m

MAJOR SHAREHOLDERS

Pala Investments	34.2%
African Lion Group	10.3%

CONTACT US

T: +61 3 9482 2223
E: info@kasbahresources.com

kasbahresources.com



SEPTEMBER 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 30 September 2019.

ACHMMACH TIN PROJECT IN MOROCCO

Achmmach Tin Project Financing

The Company completed Front End Engineering Design (**FEED**) and the Independent Technical Specialist Report (**ITSR**) in the previous quarter and commenced discussions with shortlisted financiers after receiving strong interest from several commercial financial institutions. However, with the continued decline in the tin price and demand challenges in the current global macro-economic environment, the Company has decided not to rapidly advance project financing activities. The Company will instead use this opportunity to review its corporate structure and costs and ensure that funds are utilised to continue maintaining the Achmmach Tin Project in good standing.

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.

ESIA Renewal

The initial Environmental and Social Impact Assessment (**ESIA**) for the Achmmach Tin Project was completed in 2014 and was valid until December 2019 unless construction on the Project commences prior to that. The Company commenced the process to renew the ESIA in accordance with Moroccan environmental laws and regulations.

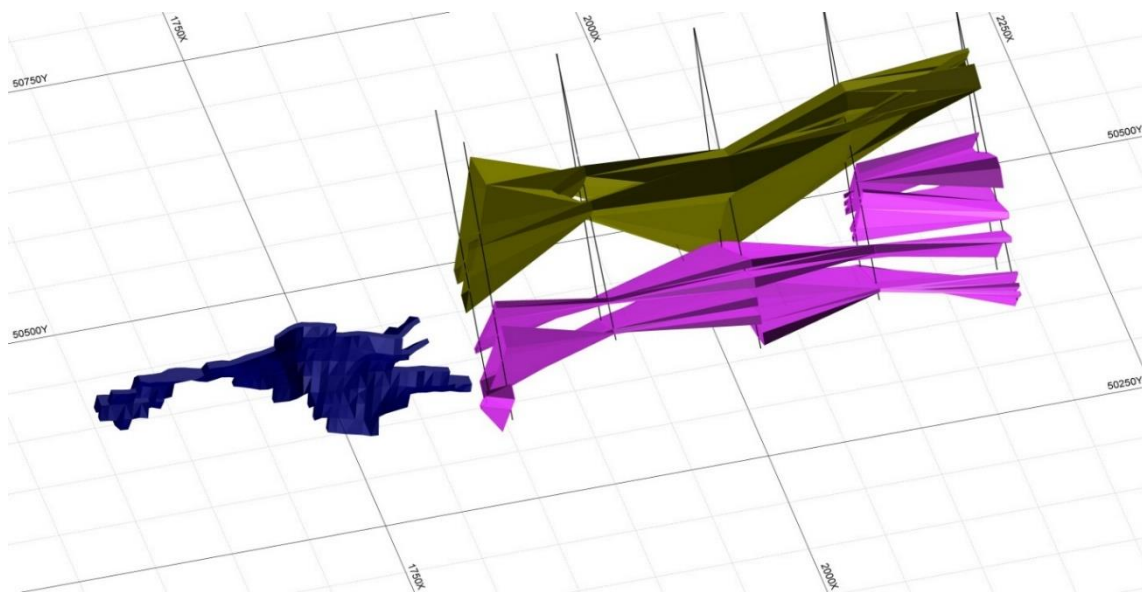
The ESIA for the Achmmach Tin Project was renewed for a further 5-year period until July 2024. The ESIA is a critical permit required to operate and sets out the fundamental environmental and social compliance framework. The renewal further confirms the Company's compliance with Moroccan environmental and regulatory requirements and reaffirms the Moroccan authorities support for the project. The renewal of the ESIA was an important step in securing the tenure of the mining license.

EXPLORATION

The company commenced and completed a drilling program at the Achmmach Tin Project during the quarter. The drilling program was designed to test the continuity of tin mineralisation along the approximately 1.2 km of untested Sidi Addi strike, which runs parallel to the main Meknes Trend.

The 10-hole, 2,064 metre diamond drilling program was completed on time and on budget, confirmed the excellent geological potential which exists along the Sidi Addi Trend. The program achieved the primary objective of establishing the continuity of tin mineralisation, with mineable widths and grades intersected. Tin mineralisation was identified in all 10 holes, with some large high-grade tin intercepts. Details of the drilling results are available on the Company's website (ASX Announcement, 26 September 2019).

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 will continue to work on interpretation of the Sidi Addi trend mineralisation with a view of developing a further phase of diamond drilling in the future.



Long section shows the existing resource (blue), the main tourmaline structure (green) and the mineralised zone (purple)

CORPORATE

Additional Funding Secured

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

Subject to satisfaction of certain conditions precedent including receipt of Kasbah shareholder approval, the conversion price of the existing convertible loan will be varied such that both the existing loan plus the additional convertible loan will be priced at A\$0.05, being approximately 24% premium to Kasbah's 20 trading day VWAP and 22% premium to the closing price immediately prior to the date of that announcement (ASX Announcement, 1 October 2019).

The proceeds received from the increase of the convertible loan, if approved by shareholders, will provide funds to maintain the Achmmach Tin Project in good standing and provide working capital as the Company navigates through the current macro-economic environment. The Company continues to evaluate all strategic options as it seeks to derive the best outcomes for its shareholders.

A Notice of Meeting with further information on the proposed increase of the convertible loan financing and an independent expert's report evaluating the financing transaction was made available on the Company's website on 24 October 2019 and dispatched to shareholders on 29 October 2019.

Resignation of Non-Executive Director

Subsequent to the end of the quarter, Mr Phil Baker resigned as non-executive director of the Company. Mr Baker's resignation was in line with the Company's present intention to evaluate and contain its corporate costs structure.

Annual General Meeting

The Company will hold its 2019 Annual General Meeting on Thursday, 28 November 2019 at 3.00 PM (AEDT). The meeting will be held at Grant Thornton, Level 22, Collins Square, Tower 5, 727 Collins Street, Melbourne Victoria 3008.

The Notice of Meeting, including the resolution to approve the Convertible Loan Facility (ASX Announcement, 1 October 2019) and, Independent Technical Expert's Report, was made available on the Company's website on 24 October 2019 and dispatched to shareholders on 29 October 2019.

FINANCIAL

Cash and debt

Cash and short-term deposits at 30 September 2019 were \$1.0 million.

Debt plus capitalised interest as at 30 September 2019 was \$5.6 million.

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

TIN MARKET

Prices

Tin prices continued its weak run during the quarter, ranging between a high of \$18,875/t and a low of \$15,700/t and averaging \$17,004/t. The tin price decline over the quarter was primarily due to increasing LME tin inventory which has continued to increase over the quarter and reached a high of 7,060 tonnes. LME tin stockpiles were at historic lows in May 2019. A decision by certain Chinese smelters to cut production at the start of September has not seen a sustained recovery in tin prices.

The increase in tin inventory can be attributed to weak demand across the board, with the global semiconductor markets particularly impacted by the ongoing global trade disputes. 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.

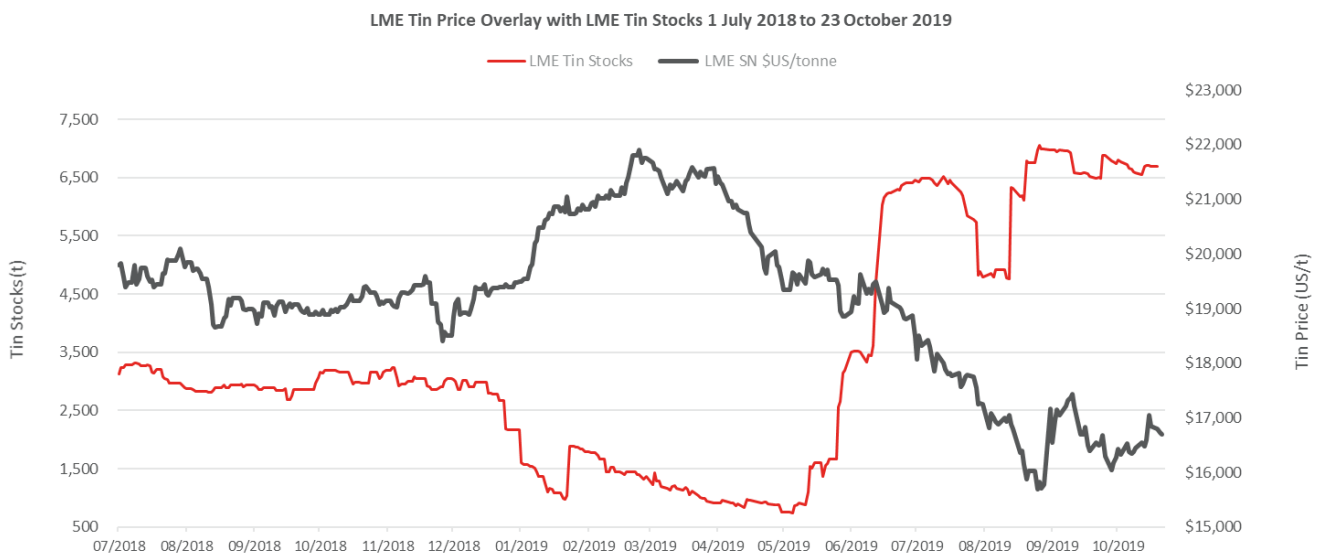


Figure 1: LME Tin Price vs LME Stocks – 1 July 2018 to 23 October 2019

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. Indonesia and Peru also continue to experience 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 continues to estimate that existing global tin mine reserves will only last 7 years, in the absence of further resource conversion. The declining supply is expected to be partially addressed by the new supply from the Bisie Tin Project, in the Democratic Republic of Congo and the Uis Project in Namibia.

Major tin producers in the world include Myanmar, Indonesia, China and Peru. The ITA retains the view that future production from Myanmar is likely to fall on an underlying decline in mining activity as easy to mine alluvial deposits are depleted and as tin grades decline. The ITA forecasts a decline in Myanmar’s tin mine output of between 11% to 30% in 2019. However, it should be noted that Myanmar forecasts have been historically very difficult to accurately predict.

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 forecasts 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 December 2019.

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 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")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(811)	(811)
(b) development	-	-
(c) production	-	-
(d) staff costs	(90)	(90)
(e) administration and corporate costs	(320)	(320)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
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	(1,220)	(1,220)
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 (3 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 (refund of bank guarantees)	1	1
2.6	Net cash from / (used in) investing activities	1	1

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
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	(6)	(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 (transactions with non-controlling interests)	287	287
3.10	Net cash from / (used in) financing activities	281	281

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,916	1,916
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,220)	(1,220)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	1
4.4	Net cash from / (used in) financing activities (item 3.10 above)	281	281
4.5	Effect of movement in exchange rates on cash held	33	33
4.6	Cash and cash equivalents at end of period	1,011	1,011

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	477	872
5.2 Call deposits	25	25
5.3 Bank overdrafts		
5.4 Other (provide details) – Cash held in Morocco	509	1,019
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,011	1,916

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	16
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	

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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	

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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	5,000	5,000
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.		

An additional \$500,000 was drawn down on 18 October 2018 under the initial bridge facility from Pala Investments Limited in last quarter, taking the principal amount of the loan to \$3,500,000. The outstanding principal, capitalised interest and fees totalling \$3,935,814 was repaid on 20 December 2018 and deemed to be the utilised portion of the Convertible Loan.

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 is 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%.

There is no change in loan facilities during the quarter. Subsequent to the end of the quarter, the Company announced an increase of the convertible loan facility, which is subject to a shareholder vote at the 2019 Annual General Meeting.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	124
9.2 Development	-
9.3 Production	-
9.4 Staff costs	258
9.5 Administration and corporate costs	194
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	576

Mining exploration entity and oil and gas exploration entity quarterly report

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:



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(Company secretary)

Date: 30 October 2019

Print name: Keith Pollocks

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.