



KASBAH RESOURCES LIMITED

ACN 116 931 705

Condensed Consolidated Interim Financial Report

For the Half Year Ended

31 December 2018

Corporate Directory

Directors

John Gooding (Non-executive Chairman)
Graham Ehm (Non-executive Director)
Martyn Buttenshaw (Non-executive Director)

Company Secretary

Keith Pollocks

Principal Registered Office in Australia

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Web: www.kasbahresources.com

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited under the trading code **KAS**.

Share Registry

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Auditors

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130 Stirling Street
Perth WA 6000

Telephone: +61 8 9227 7500

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Solicitors

Herbert Smith Freehills
42/101 Collins Street
Melbourne VIC 3000
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Directors Report

Your Directors present the Condensed Consolidated Interim Financial Report (“financial statements”) on the consolidated entity (referred to hereafter as the “Group”) consisting of Kasbah Resources Limited (“Company”) and the entities it controlled at the end of, or during, the half-year ended 31 December 2018.

DIRECTORS

The following persons were Directors of Kasbah Resources Limited during the whole of the half-year and up to the date of this report, unless otherwise stated:

- Mr John Gooding
- Mr Graham Freestone (resigned on 7 March 2019)
- Mr Graham Ehm
- Mr Martyn Buttenshaw
- Mr Hedley Widdup (resigned on 31 July 2018)
- Mr Stephen Gill (resigned as Alternate Director to Mr Martyn Buttenshaw on 13 August 2018)

REVIEW OF OPERATIONS

Operating Results

Loss after tax from continuing operations for the half-year ended 31 December 2018 was \$3,905,133 (2017: \$2,894,184), broadly consistent with the comparative period except for the ramp up in project financing activities. The loss after tax was derived after exploration and evaluation expenditure of \$937,875 (2017: \$1,005,607), project financing expenses of \$619,986 (2017: \$69,066), employee benefit expenses of \$633,229 (2017: \$903,444) and administrative expenses of \$380,088 (2017: \$307,568). Current period loss also included non-recoverable Moroccan VAT expense of \$293,030 (2017: \$245,211). As disclosed in the 30 June 2018 Annual Report, exploration and evaluation expenditure is expensed as incurred except for the acquisition of exploration properties, which is capitalised and carried forward.

The half year results show project financing expenses of \$619,986, a significant increase from the comparative period. The expenses consist primarily of financing consultants, legal due diligence, contracting and independent technical expert costs, and is in line with the ramp up of financing activities following release of the Achmmach Tin Project 2018 Definitive Feasibility Study (“2018 DFS”). Exploration and evaluation expenditure of \$937,875 was largely in line with the comparative period and mainly involved workstreams associated with front end engineering design (“FEED”) and plant layout and design optimisation. Employee benefits expenses of \$633,229 were consistent with the comparative period after adjusting for termination benefits of \$199,882 paid out in the comparative period as well as the higher amount of share-based payments following approval of the Long-Term Incentive Plan and Non-executive Director Share Rights Plan at the 2017 Annual General Meeting. Accounting and corporate fees of \$253,913 were higher than the comparative period primarily due to higher legal and compliance costs associated with corporate activities undertaken during the period. Interest and borrowing costs were significantly higher following the increase in the principal amount of the loan from Pala Investments Limited. The initial bridge facility from Pala Investments Limited was refinanced into a \$5,000,000 convertible loan following shareholder approval at the 2018 Annual General Meeting.

Directors Report

REVIEW OF OPERATIONS (CONTINUED)

The Group reported a net decrease in cash balance of \$1,291,399 comprising of net cash outflows from operating activities of \$3,344,149, net cash inflows from investing activities of \$15,932 and net cash inflows from financing activities of \$2,036,818. The net cash inflows from financing activities were primarily from the final drawdown of \$500,000 under the bridge loan facility, as well as drawing down the net proceeds of the convertible loan totalling \$1,064,186. Part of the proceeds of the convertible loan was used to repay the principal, interest and capitalised fees of the previous bridge loan facility totalling \$3,935,814.

Project Development

The company released the 2018 DFS on 16 July 2018. The 2018 DFS showed a post-tax NPV of US\$98.1 million, with a 23% IRR using a tin price of US\$21,000 per tonne and an 8% real discount rate. The Capital cost estimate was US\$96.4 million. The company also announced a 7% increase in the Ore Reserve Estimate at the Achmmach Tin Project to 7 million tonnes at a grade of 0.82% Sn and a 4% increase in contained tin.

Following release of the 2018 DFS, the Company's focus for the half year was on advancing FEED, optimising the layout and design of the processing plant as well as securing project financing for the development of the Achmmach Tin Project.

Following a competitive tender process, Ausenco Services Pty Ltd ("Ausenco") was awarded the contract for FEED on 7 November 2018. The FEED is targeted to provide greater price certainty of lump sum offered by an EPC contractor. Subsequent to the end of the period, Ausenco completed the FEED, potentially realising savings in civil and earthworks, which were largely offset by pricing for a slightly larger processing plant to enable flexibility in plant throughput to achieve the desired recovery and concentrate grades. The FEED has resulted in a revised plant layout, which is expected to realise greater efficiency and effectiveness when the plant is in production. The Company is in the process of reviewing the FEED.

The Company commenced the process to secure project financing following completion of the 2018 DFS. An expression of interest ("EOI") process was undertaken, and confirmed significant interest from commercial financial institutions to provide project funding. In addition, Request for Proposals ("RFP") were also conducted for the offtake of Achmmach's tin concentrate, independent tin market consultants and independent environmental and safety consultants. In parallel to the process with commercial financial institutions, the Company's joint venture partners are supporting discussions with Japanese credit agencies regarding credit agency support to underpin a competitive Japanese funding package for the project. This package is a multi-faceted package including project financing, offtake, sales and marketing, etc. Whilst this process is well advanced, it remains incomplete at this stage. Concurrently, the Company continues to engage with non-Japanese commercial financial institutions, smelters and commodity traders who remain interested in supporting the project.

In addition, the Company continued to advance discussion with Moroccan authorities on the construction of the powerline to the Project site and an Investment Agreement.

Directors Report

REVIEW OF OPERATIONS (CONTINUED)

Exploration

Throughout 2018 Kasbah completed a strategic review and priority ranking of its exploration projects in Morocco. As a result of the strategic review, the company enacted a number of key recommendations to further streamline its lease holdings and advance the status at its higher priority projects.

Regional Tin Projects

Kasbah holds several tin exploration tenement packages in Morocco at its Zaer, Ment, Sofz and Bou El Jaj prospects. At Kasbah's 100% owned Bou El Jaj tin prospect, located 13 km's to the south of Achmmach, the company commenced the Environmental and Social Impact Assessment (ESIA), facilitating the conversion of the exploration permits to exploitation permits under the new Mining Law. This process has now been completed and is awaiting final government approval, expected in 2019. As a part of the recommended scope of works, the Company is also looking to progress the establishment of a maiden JORC compliant resource. In 2013, 8,000m of diamond drilling was completed at Bou El Jaj. Once the ESIA is approved Kasbah will seek to finalise the scope of works to progress the Bou El Jaj maiden resource.

In addition to the works at Bou EL Jaj, the Company approved relinquishment of a number of non-core holdings at both Ment and Sofz allowing Kasbah to focus on its higher priority prospects. Kasbah has retained the core tenements at Zaer and Ment.

Tamlalt Gold Project

During the period, the Company obtained the Environmental and Social Impact Assessment (ESIA), facilitating the conversion of the exploration permits to exploitation permits under the new Mining Law. The receipt of the ESIA approval provides the Company with optionality on either advancing the development of the Tamlalt Gold Project individually or in partnership with other parties or divesting the project to interested parties.

In early 2018, Kasbah had commenced a process to seek expressions of interest in the Tamlalt project. While a number of expressions of interest were received, this process was placed on hold while the ESIA was underway, allowing Kasbah to generate greater option value with the approval of an ESIA and licence to exploit in accordance with the new Mining Law.

Corporate

In October 2018, the Company announced that it had secured additional funding through a convertible loan arrangement with Pala Investments Limited, subject to meeting certain condition precedents including shareholder approval. The \$5 million convertible loan would provide the Company with additional funding of \$1.1 million following repayment of the existing loan principal, capitalised interest and fees. The convertible loan was approved at the 2018 AGM, following which the additional funding was fully drawn down. Key terms of the convertible loan are available on the Company's website (ASX announcement, 15 October 2018).

Following the announcement of the convertible loan and in response to feedback from several retail investors, the Company launched a Share Purchase Plan ("SPP") at terms favourable to the convertible loan. The Company advised shareholders that the amounts raised via the SPP would be taken into consideration in determining the amount of the additional funding to be utilised under the convertible loan. The SPP raised \$130,000 before costs and consequently the Company drew down on the additional \$1.1 million in funding through the convertible loan.

Directors Report

REVIEW OF OPERATIONS (CONTINUED)

The Company also proposed and received shareholder approval at the Annual General Meeting to consolidate its share capital on a 10 for 1 basis. Immediately following completion of the consolidation exercise, the Company's fully paid ordinary shares on issue reduced from 1,060,042,560 to 106,004,549. The unlisted options, unlisted performance rights and unlisted share rights on issue have similarly been consolidated on a 10 to 1 basis with the relevant exercise price for each unlisted option being increased by a factor of 10.

Subsequent to the end of the period, the Company launched an underwritten non-renounceable rights issue to raise approximately \$2.5 million before costs. The proceeds from the rights issue will be used to continue progressing the Achmmach Tin Project towards a final investment decision, including completion of FEED, progression of project financing activities and working capital. Key terms of the rights issue are available on the Company's website (ASX announcement, 31 January 2019). The entitlement offer closed on 27 February 2019.

Following the completion of the 2018 DFS, Mr Hedley Widdup resigned as non-executive director of the Company. The resignation of Mr Widdup further strengthened the independence of the Kasbah Board, which at that time comprised of three independent non-executive directors and one non-independent non-executive director. Mr Stephen Gill, who was alternate non-executive director to Mr Martyn Buttenshaw also resigned from his role. Mr Graham Freestone, who was the Chairman of Kasbah's Audit Committee has retired for personal reasons effective from 7 March 2019. The Board has commenced a search to replace Mr Freestone and an announcement of the appointment will be made at the appropriate time.

Finally, following failed attempts to reach a commercial settlement, the Company commenced legal proceedings against BDO Corporate Finance WA Pty Ltd on 18 December 2017 for a series of claims including breach of contract, negligence and misleading and deceptive conduct associated with BDO's role as Independent Expert during the failed Scheme of Arrangement. Court ordered mediation in April 2018 failed to reach a commercial settlement and the mediation was adjourned to a future date yet to be relisted. In September 2018, the court approved Kasbah's application to join two directors of BDO, Mr Sherif Andrawes and Mr Adam Myers, as the second and third defendant respectively to these proceedings.


There were no other significant updates on these legal proceedings as both parties undertook discovery in advance of a relisted mediation, expected after 1 May 2019.

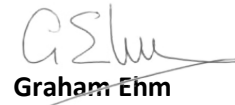
Directors Report

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the *Corporations Act 2001* requires our auditors, HLB Mann Judd, to provide the Directors of the Company with an Independence Declaration in relation to the review of the half-year report. This Independence Declaration is set out on page 7 and forms part of this Directors' Report for the half year ended 31 December 2018.

Signed in accordance with a resolution of Directors and on behalf of the Directors by:


John Gooding
Non-executive Chairman


Graham Ehm
Non-executive Director

Melbourne, 8 March 2019

Auditor's Independence Declaration



AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the consolidated financial report of Kasbah Resources Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'B G McVeigh'.

Perth, Western Australia
8 March 2019

B G McVeigh
Partner

hlb.com.au

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HLB Mann Judd (WA Partnership) is a member of HLB International, the global advisory and accounting network.

Condensed Consolidated Statement of Comprehensive Income

For the Half-Year Ended 31 December 2018

	Consolidated	
	31 December	31 December
	2018	2017
Notes	\$	\$
Revenue from continuing operations	3	7,377
Exploration and evaluation expenditure	(937,875)	(1,005,607)
Project financing expenses	(619,986)	(69,066)
Employee benefits expenses	(633,229)	(903,444)
Employee share-based payment expense	(327,089)	(140,239)
Accounting and corporate fees	(253,913)	(166,211)
Occupancy expense	(63,636)	(35,843)
Administration expenses	(380,088)	(307,568)
Marketing and investor relations	(112,209)	(63,940)
Transaction fees and other associated costs	(28,375)	72,162
Interest and borrowing costs	(249,081)	(72,131)
Non-recoverable Moroccan VAT expense	(293,030)	(245,211)
Depreciation and amortisation expenses	(9,083)	(30,156)
Foreign exchange losses / (gains)	(4,916)	14,215
(Loss) from continuing operations before tax expense	(3,905,133)	(2,894,184)
Income tax benefit / (expense)	-	-
(Loss) after tax from continuing operations	(3,905,133)	(2,894,184)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign currency translation difference on foreign operations	242,854	3,962
Total comprehensive loss for the period	(3,662,279)	(2,890,222)

Condensed Consolidated Statement of Comprehensive Income

For the Half-Year Ended 31 December 2018

		Consolidated	
		31 December	31 December
		2018	2017
Notes		\$	\$
Total loss for the year is attributable to:			
	Non-controlling interest	(417,692)	(308,112)
	Owners of Kasbah Resources Limited	(3,487,441)	(2,586,072)
		(3,905,133)	(2,894,184)
Total comprehensive loss for the year is attributable to:			
	Non-controlling interest	(354,811)	(301,421)
	Owners of Kasbah Resources Limited	(3,307,468)	(2,588,801)
		(3,662,279)	(2,890,222)
Loss per share for the year attributable to the members of Kasbah Resources Limited:			
	Basic (loss) per share (cents per share)	9 (3.33)	(2.57)
	Diluted (loss) per share (cents per share)	9 (3.33)	(2.57)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

		Consolidated	
		31 December	30 June
		2018	2018
Notes		\$	\$
Current Assets			
Cash and cash equivalents		1,729,507	3,016,898
Trade and other receivables		370,616	337,105
Non-current assets classified as held for sale		1	1
Total Current Assets		2,100,124	3,354,004
Non-Current Assets			
Property, plant and equipment		33,970	41,052
Exploration and evaluation expenditure		6,073,902	5,814,769
Total Non-Current Assets		6,107,872	5,855,821
Total Assets		8,207,996	9,209,825
Current Liabilities			
Trade and other payables	4	1,178,290	1,065,587
Convertible loan - secured	5	4,889,463	-
Loan – secured	6	-	3,209,727
Total Current Liabilities		6,067,753	4,275,314
Non-Current Liabilities			
Employee entitlements		11,014	4,494
Total Non-Current Liabilities		11,014	4,494
Total Liabilities		6,078,767	4,279,808
NET ASSETS		2,129,229	4,930,017
Equity			
Issued capital	7	71,847,493	71,729,616
Reserves		29,414,819	28,824,226
Accumulated losses		(99,178,308)	(95,690,867)
Parent entity interest		2,084,004	4,862,975
Non-controlling interest	8	45,225	67,042
TOTAL EQUITY		2,129,229	4,930,017

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2018

Consolidated	Issued Capital \$	Accumulated Losses \$	Share Based Payments Reserves \$	Foreign Currency Translation Reserves \$	Equity Component of Convertible Loan \$	Other Reserves \$	Sub-Total \$	Non- controlling Interest \$	Total \$
Balance 1 July 2017	66,885,488	(90,043,043)	3,503,380	(1,018,751)		- 25,873,350	5,200,424	(331,605)	4,868,819
Loss for the period	-	(2,586,072)	-	-		-	(2,586,072)	(308,112)	(2,894,184)
Other comprehensive income									
Foreign currency translation differences	-	-	-	(2,729)		-	(2,729)	6,691	3,962
Total comprehensive loss for the period	-	(2,586,072)	-	(2,729)		-	(2,588,801)	(301,421)	(2,890,222)
Transactions with owners in their capacity as owners									
Share based payments	-	-	140,239	-		-	140,239	-	140,239
Issue of fully paid shares	5,254,442	-	-	-		-	5,254,442	-	5,254,442
Share issue costs	(420,730)	-	-	-		-	(420,730)	-	(420,730)
Transactions with non-controlling interests	-	-	-	-		-	-	375,743	375,743
Balance 31 December 2017	71,719,200	(92,629,115)	3,643,619	(1,021,480)		- 25,873,350	7,585,574	(257,283)	7,328,291

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Changes in Equity

For the Half Year Ended 31 December 2018

Consolidated	Issued Capital \$	Accumulated Losses \$	Share Based Payments Reserves \$	Foreign Currency Translation Reserves \$	Equity Component of Convertible Loan \$	Other Reserves \$	Sub-Total \$	Non- controlling Interest \$	Total \$
Balance 1 July 2018	71,729,616	(95,690,867)	3,846,668	(895,792)		- 25,873,350	4,862,975	67,042	4,930,017
Loss for the period	-	(3,487,441)	-	-	-	-	(3,487,441)	(417,692)	(3,905,133)
Other comprehensive income									
Foreign currency translation differences	-	-	-	179,973	-	-	179,973	62,881	242,854
Total comprehensive loss for the period	-	(3,487,441)	-	179,973	-	-	(3,307,468)	(354,811)	(3,662,279)
Transactions with owners in their capacity as owners									
Share based payments	-	-	327,089	-	-	-	327,089	-	327,089
Issue of fully paid shares	180,000	-	(50,000)	-	-	-	130,000	-	130,000
Share issue costs	(62,123)	-	-	-	-	-	(62,123)	-	(62,123)
Issue of convertible note	-	-	-	-	133,531	-	133,531	-	133,531
Transactions with non-controlling interests	-	-	-	-	-	-	-	332,994	332,994
Balance 31 December 2018	71,847,493	(99,178,308)	4,123,757	(715,819)	133,531	25,873,350	2,084,004	45,225	2,129,229

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cash Flows

For the Half Year Ended 31 December 2018

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(1,823,401)	(2,065,943)
Payments for exploration and evaluation	(1,531,481)	(1,502,530)
Interest received	10,733	50,755
Net cash outflow from operating activities	(3,344,149)	(3,517,718)
Cash flows from investing activities		
Refunds/(Payments) for security deposits and bonds	16,794	(84,187)
Payments for plant and equipment	(862)	(23,200)
Net cash inflow/(outflow) from investing activities	15,932	(107,387)
Cash flow from financing activities		
Proceeds from share issues	130,000	5,061,730
Share issue costs	(6,873)	(420,730)
Proceeds from borrowings	5,500,000	-
Repayment of borrowings	(3,935,814)	-
Borrowing costs	-	(30,000)
Proceeds from non-controlling interest	349,505	354,497
Net cash inflow from financing activities	2,036,818	4,965,497
Net increase/(decrease) in cash held	(1,291,399)	1,340,392
Cash at the beginning of the period	3,016,898	1,720,844
Effect of exchange rate fluctuations on cash held in foreign currencies	4,008	6,582
Cash at the end of the period	1,729,507	3,067,818

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These condensed consolidated interim financial report ('financial statements') is a general purpose financial report and has been prepared in accordance with the requirements of the *Corporations Act 2001*, applicable accounting standards including *AASB 134 Interim Financial Reporting*, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 '*Interim Financial Reporting*'.

The financial statements comprise the condensed interim financial statements for the Group. For the purposes of preparing the interim financial statements, the Company is a for-profit entity.

The financial statements do not include full disclosures of the type normally included in the full financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the Group as in the full financial report. It is recommended interim financial statements be read in conjunction with the full financial report for the year ended 30 June 2018 and any public announcements made by the Company and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001* and the ASX Listing Rules.

The accounting policies and methods of computation adopted are consisted with those of the previous financial year and corresponding half-year, except for the impact of the new Standards and Interpretations effective 1 July 2018 disclosed below. These accounting policies are consisted with the Australian Accounting Standards and with International Financial Reporting Standards.

The financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments, if applicable. Cost is based on the fair value of the consideration given in exchange for assets.

The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

Adoption of new and revised standards

Standards and Interpretations applicable to 31 December 2018

In the period ended 31 December 2018, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the current reporting period. As a result of this review, the Group has initially applied AASB 9 from 1 July 2018.

Due to the transition methods chosen by the Group in applying AASB 9, comparative information throughout the interim financial statements has not been restated to reflect the requirements of the new standard.

AASB 9 'Financial Instruments'

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and makes changes to a number of areas including classification of financial instruments, measurements, impairment of financial assets and hedge accounting model.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments are classified as either held at amortised costs or fair value. Financial instruments are carried at amortised costs if the business model concept can be satisfied.

All equity instruments are carried at fair value and the cost exemption under AASB 139 which was used when it was not possible to reliably measure the fair value of an unlisted entity has been removed. Equity instruments which are non-derivative and not held for trading may be designated as fair value through other comprehensive income (FVOCI). Previously classified available for sale investments, now carried at fair value are exempt from impairment testing and gains or loss on sale are no longer recognised in profit or loss.

The AASB 9 impairment model is based on expected loss at day 1 rather than needing evidence of an incurred loss, this is likely to cause earlier recognition of bad debt expense. Most financial instruments held at fair value are exempt from impairment testing.

The Group has applied AASB 9 retrospectively with the effect of initially applying this standard recognised at the date of initial application, being 1 July 2018 and has elected not to restate comparative information. Accordingly, the information presented for 31 December 2017 and 30 June 2018 have not been restated.

There is no material impact to the Group's profit or loss or net assets on the adoption of this new standard in the current or comparative years.

Standards and Interpretations in issue not yet adopted

The Group has also reviewed all Standards and Interpretations in issue not yet adopted for the period ended 31 December 2018. Those which may have a significant impact to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the statement of financial position by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and depreciation replacing operating lease expense. The Group has lease arrangements for office premises which will not result in a material impact as a result of adopting AASB 16 Leases.

Significant accounting estimates and judgements

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2018.

Notes to the Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Going concern

For the half year ended 31 December 2018 the consolidated entity recorded a loss of \$3,905,133 (2017: loss of \$2,894,184) and had net cash outflows from operating activities of \$3,344,149 (2017: \$3,517,718) and has a net current liability of \$3,967,629 at 31 December 2018 (2017: a net current asset of \$1,707,896).

The Company and its joint venture partners completed and announced the results of the 2018 DFS of the Achmmach Tin Project. The 2018 DFS indicates that the project is technically and economically feasible. Following completion of the 2018 DFS, the Company together with its joint venture partners have been working to secure a project financing package prior to approving a decision to mine. Short term funding needs are expected to be met through the recently completed interim capital raise, an underwritten non-renounceable rights issue which raised \$2.5 million. The convertible note would not be repaid with proceeds from this interim equity raise. At this stage, the ability of the consolidated entity to continue as a going concern is dependent on this future finalisation of debt and equity as well as successful commercialisation of the Achmmach Tin Project.

The above conditions indicate a material uncertainty that may cast a significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business. At this stage there are reasonable grounds to believe that debt and equity funding will be available to secure the development of the Achmmach Tin Project.

The consolidated half-year financial statements have been prepared on the basis that the entity is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements and that the financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

Notes to the Financial Statements

2. SEGMENT INFORMATION

a. Description of segments

The Board (Chief Operating Decision Maker) has determined that the Group has one reportable segment, being mineral exploration and development. As the Group is focused on mineral exploration and the development of the Achmmach Tin Project, the Board monitors the Group based on actual versus budgeted exploration and feasibility expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities.

b. Segment Information provided to the Board:

	Consolidated	
	31 December 2018 \$	31 December 2017 \$
Revenue from external customers	-	-
Reportable segment loss	(1,713,960)	(1,680,581)
Reportable segment assets	7,088,007	6,239,529
Reportable segment liabilities	(863,967)	(310,970)

A reconciliation of reportable segment loss to operating loss before income tax is as follows:

Total loss for reportable segment	(1,713,960)	(1,680,581)
Unallocated		
Corporate expenses	(2,198,550)	(1,272,458)
Interest revenue	7,377	58,855
Loss before income tax from continuing operations	(3,905,133)	(2,894,184)

A reconciliation of reportable segment assets to total assets is as follows:

Segment assets	6,529,029	6,239,529
Segment assets includes: additions to non-current assets	-	-
Unallocated		
Cash	1,501,173	2,651,935
Unallocated	177,794	135,983
Total assets per consolidated statement of financial position	8,207,996	9,027,447

Notes to the Financial Statements

2. SEGMENT INFORMATION (CONTINUED)

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
A reconciliation of reportable segment liabilities to total liabilities is as follows:		
Segment liabilities	863,967	310,970
Unallocated		
Payables	219,544	233,761
Provisions	105,793	35,494
Loans	4,889,463	1,118,931
Total liabilities per consolidated statement of financial position	6,078,767	1,699,156

A reconciliation of reportable segment cash flow from operating activities to total cash flow from operating activities is as follows:

Segment cash flow from operating activities	(1,531,481)	(1,502,530)
Unallocated	(1,812,668)	(2,015,188)
Total cash flow from operating activities	(3,344,149)	(3,517,718)

A reconciliation of reportable segment cash flow from investing activities to total cash flow from investing activities is as follows:

Segment cash flow from investing activities	(2,848)	(54,517)
Unallocated	18,780	(52,870)
Total cash flow from investing activities	15,932	(107,387)

A reconciliation of reportable segment cash flow from financing activities to total cash flow from financing activities is as follows:

Segment cash flow from financing activities	349,505	355,406
Unallocated	1,687,313	4,610,091
Total cash flow from financing activities	2,036,818	4,965,497

Depreciation	1,508	27,168
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3. REVENUE AND OTHER INCOME

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Interest revenue	7,377	58,855

Notes to the Financial Statements

4. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Current		
Trade payables	279,248	234,113
Other payables and accruals	760,162	727,870
Employee entitlements	138,880	103,603
	1,178,290	1,065,586

5. CONVERTIBLE LOAN - SECURED

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Current		
Convertible loan – Pala Investments Limited	4,886,796	-
Capitalised arrangement fees	100,000	-
Arrangement fees, net of amortisation	(97,333)	-
	4,889,463	-

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 convertible 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 convertible 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%.

The equity component of the convertible loan of \$133,531 is recognised within Other Reserves. Arrangement Fees of \$100,000 was capitalised and incurs interest at 12% per annum. Arrangement Fees are amortised over the period of the loan.

Notes to the Financial Statements

6. LOAN - SECURED

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Current		
Loan – Pala Investments Limited	-	3,209,727

The bridge loan facility from Pala Investments Limited was drawn down in multiple tranches totalling \$3,500,000 to provide working capital for the Company. The loan was 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. Following the final drawdown of \$500,000 under the bridge loan facility, the maturity was extended to 31 March 2019.

The bridge loan facility was refinanced into the above convertible loan following shareholder approval on 20 December 2018. Proceeds from the convertible loan were used to offset the full repayment of the principal, capitalised interest and fees of the bridge loan facility totalling \$3,935,814.

7. ISSUED CAPITAL

	Consolidated		Consolidated	
	31 December 2018	30 June 2018	31 December 2018	30 June 2018
	Number of Shares	Number of Shares	\$	\$
Issued and Paid-up Capital				
Ordinary shares, fully paid	106,004,549	1,045,079,742	71,847,493	71,729,616
Movements in ordinary share capital				
Balance at the beginning of the financial year	1,045,079,742	694,139,119	71,729,616	66,885,488
Share placement at 1.5 cents (July 2018)	-	347,069,747	-	5,206,047
Share issue costs	-	-	-	(420,730)
Share purchase plan at 1.1 cents (December 2018)	11,818,165	-	130,000	-
Share issue costs	-	-	(62,123)	-
Employee short term incentives	-	3,203,176	-	48,395
Non-executive Director share rights	3,144,653	667,700	50,000	10,417
Share consolidation (<i>Note 1</i>)	(954,038,011)	-	-	-
Issued capital at end of period	106,004,549	1,045,079,742	71,847,493	71,729,616

Notes to the Financial Statements

7. ISSUED CAPITAL (CONTINUED)

Note 1

Following shareholders' approval at the Annual General Meeting, the Company completed a consolidation of its share capital on a 10 for 1 basis, with fractional entitlement rounded up to the nearest whole share. Following the consolidation, the total number of shares fully paid ordinary shares on issue was reduced from 1,060,042,560 to 106,004,549.

8. EQUITY – NON-CONTROLLING INTEREST

The non-controlling interest arises from a 25% shareholding in the subsidiary company (Atlas Tin SAS) by two Japanese companies, Nittetsu Mining Co. Ltd (NMC) and Toyota Tsusho Corporation (TTC).

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Nittetsu Mining Co. Ltd (NMC) – 5% NCI		
Opening Balance – NCI	(912,033)	(991,763)
Funds received from NMC	66,599	75,148
Share of Comprehensive Loss for the year	(70,962)	(60,284)
	(916,396)	(976,899)
Toyota Tsusho Corporation (TTC) – 20% NCI		
Opening Balance – NCI	979,076	660,158
Funds received from TTC	266,394	300,595
Share of Comprehensive Loss for the year	(283,849)	(241,137)
	961,621	719,616
Total Non-controlling Interest	45,225	(257,283)

9. EARNINGS PER SHARE

Basic and diluted earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the Parent Company.

Weighted average number of ordinary shares

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Notes to the Financial Statements

9. EARNINGS PER SHARE (CONTINUED)

	Consolidated	
	31 December 2018 Cents	31 December 2017 Cents
Basic loss per share (cents per share)	(3.33)	(2.57)
Diluted loss per share (cents per share)	(3.33)	(2.57)
Weighted average number of ordinary shares for the purpose of basic earnings per share	104,692,005	100,620,979
Weighted average number of ordinary shares for the purpose of diluted earnings per share	105,375,556	100,740,185

The diluted loss per share is the same as the Basic loss per share as it would be anti-dilutive as the Group is loss making.

Following shareholders' approval at the Annual General Meeting, the Company completed a consolidation of its share capital on a 10 for 1 basis, with fractional entitlement rounded up to the nearest whole share. Consequently, the weighted number of ordinary shares for the period ended 31 December 2018 and 31 December 2017, for the purpose of basic and diluted earnings per share, has been adjusted on a 10 for 1 basis.

10. SHARE BASED PAYMENTS

The following share-based payment arrangements were entered into during the period:

Non-Executive Director ('NED') Share Rights Plan

	Grant Date	Number	Vesting and Exercise Date	Value per Share Rights	Value of Share Rights
John Gooding	21 December 2018	94,388	13 December 2019	\$0.098	\$9,250
Graham Freestone	21 December 2018	204,082	13 December 2019	\$0.098	\$20,000
Graham Ehm	21 December 2018	676,021	13 December 2019	\$0.098	\$66,250
Martyn Buttenshaw	21 December 2018	204,082	13 December 2019	\$0.098	\$20,000

Long Term Incentive Plan (Performance Rights)

	Grant Date	Number	Vesting Date	Value per Performance Rights	Value of Performance Rights
Key management personnel					
Russell Clark	1 July 2018	2,207,145	30 June 2021	\$0.140	\$309,000
Evan Spencer	1 July 2018	1,500,858	30 June 2021	\$0.140	\$210,120
Keith Pollocks	1 July 2018	1,414,287	30 June 2021	\$0.140	\$198,000
Others					
Other employees	1 July 2018	189,816	30 June 2021	\$0.140	\$26,574

Notes to the Financial Statements

11. SUBSEQUENT EVENTS AFTER BALANCE DATE

On 11 January 2019, the Non-Executive Directors elected to receive their entire directors' fee as share rights pursuant to the Non-executive Director Share Rights Plan. Consequently, 1,580,595 share rights were issued to the non-executive directors.

On 31 January 2019, the Company announced the launch of an underwritten non-renounceable rights issue. The rights issue is a one for four entitlement and priced at 9.5 cents per new share, and has been underwritten by Taylor Collison Limited, with a sub-underwriting commitment from Pala Investments (Pala). The entitlement offer closed on 27 February 2019. 213 eligible shareholders took up approximately 33% of rights available under the Entitlement Offer (including shares applied for under the shortfall offer) raising \$841,458. This included participation by the Board and management of Kasbah, and Pala Investments (Pala) which took up its full entitlement of 21.20% of the rights available under the Entitlement Offer. All valid acceptances under the shortfall offer were accepted. Following issuance of the remaining shortfall shares, Pala's resulting shareholdings in Kasbah will be 34.2%.

New shares subscribed for under the Entitlement Offer were issued on 6 March 2019. New shares will be issued under the underwriting and sub-underwriting arrangements on 12 March 2019.

On 14 February 2019, 568,256 new shares were issued pursuant to the vesting of NED Share Rights.

No other events or circumstances have arisen since 31 December 2018 that would require disclosure in this financial report.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There have been no changes in contingent liabilities or contingent assets since 30 June 2018.

13. FINANCIAL INSTRUMENTS

The methods and valuation techniques used for the purpose of measuring fair values are unchanged compared to the previous reporting period.

The carrying amounts of the current receivables and current payables are considered to be a reasonable approximation of their fair value.

Directors Declaration

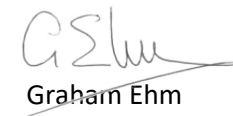
In the Directors' opinion:

- a) The accompanying financial statements and notes set out on pages 8 to 23 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
 - ii. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements.
- and
- b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



John Gooding
Non-executive Chairman



Graham Ehm
Non-executive Director

Melbourne, 8 March 2019

Independent Auditor's Review Report



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kasbah Resources Limited

Report on the Condensed Interim Financial Report

Conclusion

We have reviewed the accompanying interim financial report of Kasbah Resources Limited ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2018, the condensed consolidated statement comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory notes, and the directors' declaration, for the Group comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Kasbah Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of matter - material uncertainty related to going concern

We draw attention to Note 1 in the interim financial report, which indicates that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' responsibility for the interim financial report

The directors of the company are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations*

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Independent Auditor's Review Report



2001. As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

HLB Mann Judd

HLB Mann Judd
Chartered Accountants

Perth, Western Australia
8 March 2019


B G McVeigh
Partner