

30 April 2020
ASX: KAS
Share price: \$0.015



MARCH 2020 QUARTERLY REPORT

The Company completed its Board restructure with the appointment of new directors. Like many others, the Company has been impacted by the COVID-19 pandemic, requiring further cost reductions and evaluation of options to increase liquidity to navigate these challenging conditions.

HIGHLIGHTS

- **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 during the quarter. 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 continued to progress with its project optimisation works and strategic partnerships for its ongoing projects. However, progress has been impeded by the ramifications of the current COVID-19 pandemic and restrictions currently in place.
- **Corporate outlook:** The global pandemic has seen the Moroccan government declare a state of medical emergency initially to 20 April 2020, which has subsequently been extended to 20 May 2020. The global pandemic has exacerbated global macro-economic conditions and significantly impacted commodity prices, with tin being no exception. The Company has been engaging with shareholders and stakeholders to discuss options to further reduce costs and increase liquidity so that it will have sufficient funds to navigate the challenging conditions over the next 12-18 months.

Kasbah's Executive Chairman, Mr Evan Spencer commented:

"These are unprecedented times for the global economy and Kasbah has not escaped feeling the pressures of the current situation. Kasbah and its Board are committed in ensuring that the Company reduces its cost base to the furthest extent possible, without compromising the value and tenure of the Achmmach Tin Project, in order to navigate through these challenging times.

In June, Kasbah will be able to draw down on the 2nd tranche of \$500,000 of the previous convertible loan financing which will fund its operations over the next few months. In the next couple of months, we will evaluate all possible options to keep the Company funded over the medium term."

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:	0.3m
Unlisted Performance Rights:	18m
Unlisted NED Share Rights:	4m
Cash @ 31/03/20:	\$0.5m

MAJOR SHAREHOLDERS

Pala Investments	33.7%
African Lion Group	10.1%

CONTACT US

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MARCH 2020 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 March 2020.

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.

In addition, the Company's ability to secure project funding has been impacted by the ongoing delays in the delivery of a Japanese ECA backed finance package being driven the Company's joint venture partners. This process remains ongoing albeit being significantly behind schedule with no firm schedule in place.

These conditions have been further exacerbated by the COVID-19 pandemic, placing significant pressure on the commodities market, including tin. The Company will continue to monitor the tin and capital markets over the coming months in order to evaluate the next course of action with respect to project financing.

Project Optimisation Opportunities and Strategic Initiatives

In late 2019, The Company embarked on a number of project optimisation and strategic initiatives with the aim of unlocking further the resource potential of the project and grow the mine life in excess of the current life of mine. Whilst these initiatives remain ongoing, progress has been impeded by the current pandemic and the restrictions across several countries, including Morocco.

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.

No exploration activities were undertaken during the quarter.

CORPORATE

Board and Management Changes

In line with the Company's immediate objective to restructure the corporate structure, Mr Ashvin Seetulsingh and Mr Nick Slade joined the Kasbah Board.

Mr Seetulsingh is a corporate lawyer and was a partner with global law firm Clifford Chance, in London and previously in Hong Kong. Mr Seetulsingh has over 19 years' experience in the planning and successful execution of M&A, financing and joint venture transactions for blue-chip clients across the energy, natural resources and infrastructure sectors in markets spanning Africa, Asia, Europe, the Middle East and Australia. His cross-border transactional expertise, in particular in relation to projects in Africa, will be an invaluable asset to the Company. Mr Seetulsingh is an independent non-executive director.

Mr Slade is Vice President, Technical and Operations at Pala Investments, the Company's cornerstone strategic investor. Mr Slade has 25 years' experience as an international mining professional in both management and technical roles, spanning various operating companies, consulting and project development roles. Mr Slade has significant experience in hard rock base metal mining having managed underground mining operations and has also had leading roles in conducting due diligence for equity and offtake interests, and project management and technical leadership of mining projects and studies. Mr Slade joins as a Pala's nominee on the Board and replaces Mr Martyn Buttenshaw who has resigned his position. Mr Slade is a non-independent non-executive director.

As previously announced (ASX Announcement, 9 March 2020), the Company has been looking at avenues to reduce its cash expenditure given the current challenging macro-economic conditions. In this respect, the Company has made available Executive Chairman and Chief Executive Officer, Mr Evan Spencer, to undertake consultancy services for third parties on behalf of the Company. Compensation received from such consultancy services offsets the Company's expenditure, supports the Company as it navigates through an extended downturn during 2020, while ensuring that the Company is focusing available resources to maintain the good standing of the Achmmach Tin Project. Mr Spencer remains an executive of the Company and continues to perform his day to day task of leading the Company. The Company will continue its efforts to find all opportunities available to reduce costs and minimize expenditure across its business.

FINANCIAL

Cash and debt

Cash and short-term deposits at 31 March 2020 were \$0.5 million.

Debt plus capitalised interest as at 31 March 2020 was \$6.9 million.

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

TIN MARKET

Prices

Tin prices fluctuated significantly during the quarter with the lunar new year and subsequent impact of COVID-19 causing uncertainty in both demand and supply. Tin prices ranged between a high of \$17,750/t and a low of \$13,375/t and averaging \$16,261/t. Tin prices saw a significant decline of \$2,855/t in the week following the declaration of COVID-19 as a global pandemic, likely driven by panic selling of tin inventory and opportunistic profiteering.

LME tin stocks also fluctuated with a high of 7,595 tonnes and a low of 6,175 tonnes. Similarly, the SHFE tin stocks also fluctuated with a high of 6,995 tonnes and a low of 4,233 tonnes. Tin stocks were low at the end of the quarter and into April as several producers have halted production in response to COVID-19.

Whilst tin price movement has typically been inversely correlated to the LME tin inventory, the COVID-19 pandemic saw this inverse correlation not observed in the short term. However, the supply-demand dynamics appears to have been normalised from late March with declining supply resulting in an increasing tin price.

Although supply disruptions have resulted in a slight recovery of tin price, COVID-19 has caused major disruptions to global supply chains, significantly placing pressure on the demand of industrial items, thereby impacting metal demand, including tin.

The long-term tin market fundamentals remain unchanged with an impending supply deficit and prices are expected to rise over the medium term. However, in the short term, until normalcy resumes, tin prices are likely to remain under-pressure with weak demand outstripping the reduced supply.



Figure 1: LME Tin Price vs LME Stocks – 1 July 2019 to 24 April 2020

Supply side: Short term supply cuts, longer term slowing mine supply

London Metal Exchange (“LME”) stockpiles have remained high with stock levels above 6,000 tonnes, a long way from the historical lows in the first half of 2019.

Over the last couple of weeks, many tin producers and smelters have halted operations in response to COVID-19, which has seen tin stockpiles decline to around 6,000 tonnes although certain producers have increased production to close the supply deficit.

Notwithstanding the impact of COVID-19 on short term supply-demand dynamics, mine supply continues to be a challenge for the market as large tin producing countries experience significant grade depletion. 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.

Demand side: Significant short-term pressure, longer term 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 had forecasted a decline of 13% during 2019.

Whilst the short-term demand challenges are expected to continue in the foreseeable future with existing market issues further compounded by COVID-19, the medium and longer-term fundamentals remain solid. It remains to be seen if the trade tensions are resolved amicably as the world opens up the economy following the restrictions imposed to curb the spread of the virus.

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.

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.

 : @Kasbah Resource

 : Kasbah Resources Ltd

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

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 March 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(424)	(1,689)
(b) development	-	-
(c) production	-	-
(d) staff costs	(89)	(435)
(e) administration and corporate costs	(20)	(585)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	2
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	(532)	(2,707)

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 (9 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)	1	4
2.6	Net cash from / (used in) investing activities	1	4

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
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)	89	436
3.10	Net cash from / (used in) financing activities	89	1,230

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	912	1,916
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(532)	(2,707)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	4
4.4	Net cash from / (used in) financing activities (item 3.10 above)	89	1,230

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	18	45
4.6	Cash and cash equivalents at end of period	488	488

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	248	725
5.2	Call deposits	25	25
5.3	Bank overdrafts	-	
5.4	Other (Cash held in Morocco)	215	162
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	488	912

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**

-

-

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)	(532)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(532)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	488
8.5 Unused finance facilities available at quarter end (Item 7.5)	500
8.6 Total available funding (Item 8.4 + Item 8.5)	988
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1,9

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 continues to assess opportunities to lower the net operating cashflows, including undertaking consultancy engagement to offset the Company's costs. In addition, the Company will apply for some of the fiscal stimulus allowances as announced by the Commonwealth and State governments.

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: 30 April 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.