

4 June 2017

Ms Dawn James
Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St Georges Terrace
PERTH WA 6000

Dear Ms James

KASBAH RESOURCES LIMITED (COMPANY) (KAS): ASX QUERY

- 1 We refer to ASX's letter to the Company dated 2 June 2017 in relation to the ASX query (**ASX Letter**), as enclosed with this letter.
- 2 The ASX Letter requests that the Company respond to a number of questions relating to a loan to Pala Investments Limited (**Pala**).

BACKGROUND

- 3 On 10 August 2016, the Company executed a \$1 million loan agreement with Pala which granted Pala the right at any time to request that the Company grant Pala security over the loan (**Loan**).
- 4 On 11 August 2016, the Company announced its proposed scheme of arrangement (**Scheme**) with Asian Mineral Resources Limited and included in that announcement a summary of the terms of the Loan. At the time of this announcement, as it was anticipated that the Scheme would complete, Pala had not requested the Loan be secured at this time.
- 5 On 18 October 2016, the Company released its Scheme Booklet in relation to the Scheme on ASX which was also despatched to the Company's shareholders. The Scheme Booklet disclosed the terms of the Pala Loan and noted that Pala had the right to be granted security over the Loan.
- 6 On 19 December 2016, after the Scheme did not proceed the Company announced a placement of shares to Pala to address its immediate funding requirements at the time.
- 7 On 22 December 2016, Pala exercised its right to secure the Loan.
- 8 On 23 December 2016:
 - 8.1 Pala and the Company executed a General Security Deed (**GSD**) granting security over the Company's residual, non-core assets (minor exploration, plant & equipment and other assets held by the Company) and cash at hand but excluding the Company's interest in its core asset, being the Atlas Tin Project; and

8.2 The placement of shares to Pala completed.

- 9 After December 2016, the Company underwent a number of changes including a complete replacement of the Board and CEO within a three month period as well as initiating a review of the core asset and business, being the development of its Atlas Tin Project.
- 10 On 10 March 2017 (Half Year Accounts) and 27 April 2017 (Quarterly Activities Report) the Company released announcements which described the Loan as being an unsecured loan.
- 11 On 1 June 2017 the Company released an announcement to correct its previous announcements on 10 March 2017 (Half Year Accounts) and 27 April 2017 (Quarterly Activities Report) of the Loan being an unsecured loan and advised that the Loan was secured over the residual, non-core assets of the Company, other than the Company's interest in the Atlas Tin Project.

RESPONSE TO QUESTIONS IN ASX LETTER

- 12 The Company responds to each of the questions set out in the ASX Letter as set out below.

Question 1 - Please advise whether the loan of \$1m from Pala Investments Ltd ("Loan") was at any time secured against any of KAS's assets?

- 13 Yes. Pala was granted the right to secure the Loan under the loan agreement on 10 August 2016 and this was detailed in the Scheme Booklet sent to all shareholders in October 2016. Pala then exercised its right to secure the Loan on 22 December 2016 which was documented in the GSD signed on 23 December 2016.

Question 2 - If the answer to question 1 is "yes" on what date was the Loan secured against KAS's assets?

- 14 Refer to above.

Question 3 - If the answer to question 1 is "yes" please advise what assets the Loan is secured against and is the Loan of a fixed or floating nature?

- 15 The Loan is secured against all the residual, non-core assets of the Company (being minor exploration, plant & equipment and other assets) and cash at hand other than the Company's interest in its Atlas Tin Project and is of a fixed and floating nature.

Question 4 - If the answer to question 1 is "yes" please advise when KAS first became aware that the Loan was secured against KAS's assets, and address the following:

- 16 Refer to response to Question 1.

Question 4.1 - Whether KAS considers that information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

- 17 No. The security granted in respect of the Loan is over the Company's residual, non-core assets (being minor exploration, plant & equipment and other assets held by the Company) and cash at hand. The security excludes the Company's main asset, being its interest in the Atlas Tin Project held through its 75% shareholding in Atlas Tin SAS. Significantly, the Company had previously disclosed Pala's right to secure the Loan to the market in the Scheme Booklet despatched to all shareholders in October 2016.

Question 4.2 - Whether KAS made any announcement about the Loan being secured against KAS's assets? If so, please provide details. If not, please explain why this information was not released to the market commenting specifically on when you believe KAS was obliged to release this information under Listing Rules 3.1 and 3.1A and what steps KAS took to ensure that the information was released promptly and without delay?

- 18 No, as referred to in the response to Question 4.1, the Company does not believe the granting of security over its assets other than its interest in the Atlas Tin Project, being the Company's residual, non-core assets (minor exploration, plant & equipment and other assets held by the Company) and cash at hand, to be information which a reasonable person would expect to have a material effect on the price or value of the Company's securities pursuant to Listing Rule 3.1.
- 19 It is noted that there has been no change to the trading price of the Company's shares following the corrective announcement on 1 June 2017.
- 20 The Company does not regard the security granted for the Pala Loan as being information required to be disclosed pursuant to Listing Rule 3.1. Due to an oversight, the Company's announcements on 10 March 2017 (Half Year Accounts) and 27 April 2017 (Quarterly Activities Report) described the Loan as being an unsecured loan. Once this was identified the Company immediately issued a corrective announcement on 1 June 2017.

Question 5 - Please confirm that KAS is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

- 21 Confirmed.

Question 6 - If the answer to question 1 is "yes" did KAS obtain shareholder approval under Listing Rule 10.1 for the disposal? If so, please provide details. If not, please advise why shareholder approval was not obtained, commenting specifically on the value of the asset securing the Loan, given the granting of security to a substantial shareholder over an asset or assets to which Listing Rule 10.2 applies constitutes the disposal of a substantial asset, which would require the approval of the Company's shareholders for the purposes of listing rule 10.1

- 22 N/A. Shareholder approval was not sought as Listing Rule 10.1 did not apply to the granting of security in relation to the Loan. Importantly, Pala was not a shareholder of the Company at the time the security was granted and therefore Listing Rule 10.1 was not applicable.
- 23 Pala's right to secure the Loan was granted in the loan agreement dated 10 August 2016 and exercised on 22 December 2016 prior to Pala becoming a shareholder of the Company. The security granted was then documented in the GSD which was signed on 23 December 2016, the same day Pala became a shareholder of the Company.
- 24 In relation to ASX's question regarding the value of the assets securing the Loan, the value of the security granted to Pala at the time the loan was secured was approximately 10% of the equity interest of the Company based on the Company's accounts for the year ending 30 June 2016 after adjusting for cash expended. This represented the Company's residual, non-core assets, being minor exploration, plant & equipment and other assets held by the Company and cash at hand. Furthermore, these residual, non-core assets of the Company represented approximately 5% of the market capitalisation of the Company, based on the closing price on 20 December 2016 being the last trading day prior to the Loan being secured.



Question 7 - Please confirm that KAS's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KAS with delegated authority from the board to respond to ASX on disclosure matters

25 Confirmed.

Regards

A handwritten signature in blue ink, appearing to read "Trevor O'Connor".

Trevor O'Connor
Chief Financial Officer and Company Secretary
KASBAH RESOURCES



2 June 2017

Mr Trevor O'Connor
Company Secretary
Kasbah Resources Limited
11 Moreau Mews
APPLECROSS WA 6153

By email:

Dear Mr O'Connor

KASBAH RESOURCES LIMITED ("KAS"): ASX Query

ASX Limited ("ASX") refers to the following:

1. KAS's announcement dated 11 August 2016 lodged on the ASX Market Announcements Platform ("MAP") and released at 13:19 pm AEST entitled "Asian Mineral Resources to Acquire Kasbah Resources" which states, in part, the following:

"Pala, currently the largest shareholder of AMR, will remain as a 37.7% shareholder in the combined company following the implementation of the Transaction. In addition, Pala will provide Kasbah with a A\$1,000,000 loan to cover working capital and transaction costs, which Kasbah can draw in two tranches of A\$500,000 ("Pala Loan"). Outstanding principal under the Pala Loan bears interest at a rate of 12% per annum. The Pala Loan is repayable on the date falling 12 months from the date of execution of the Pala Loan, except in the following circumstances:

- *the SIA is terminated by AMR as a result of a breach of the SIA by Kasbah;*
- *the SIA is terminated by notification to AMR by Kasbah of its intention to accept a superior proposal;*
- *the Independent Expert advises that the Transaction is not in the best interests of Kasbah's shareholders; or*
- *the shareholders of Kasbah voting against approval of the Transaction,*

in which case the outstanding principal and interest will be repayable on the earlier of:

- (i) *the date falling 3 months after the occurrence of such an event; or*
- (ii) *the date falling 12 months from the date of execution of the Pala Loan."*

2. KAS's announcement dated 5 September 2016 lodged on MAP and released at 8:27 am AEST entitled "First Drawdown of Pala Loan Facility" announcing the drawdown by the Company of the first tranche of A\$500,000 from the A\$1,000,000 loan facility from Pala Investments Ltd ("Pala").

3. KAS's announcement dated 7 November 2016 lodged on MAP and released at 14:22 pm AEDT entitled "Second Drawdown of Pala Loan Facility" announcing the drawdown by the Company of the second tranche of A\$500,000 from the A\$1,000,000 loan facility from Pala.
4. KAS's announcement dated 19 December 2016 lodged on MAP and released at 11.21 am AEDT entitled "New Strategic Investor and Capital Raising" announcing a placement to Pala of 138,133,684 ordinary shares in KAS, representing 19.9% of the issued share capital of KAS.
5. KAS's Half Year Accounts for the period ended 31 December 2016 lodged on MAP on 10 March 2017 and released at 08:24 am AEDT which makes the following statement in note 5 to the Accounts:

"The loan from Pala Investments Limited was drawn down in two tranches of \$500,000 in August 2016 and November 2016 to provide working capital for the Company. The loan is unsecured with interest charged at 12% per annum. Repayment of the loan was due on or before 10 August 2017 however during the half year the repayment date has been extended to 31 December 2017 and the Company now also has an option to further extend the loan to 30 June 2018 with the payment of an extension fee."

6. KAS's announcement dated 1 June 2016 lodged on MAP and released at 11:01 am AEST entitled "Correction to Note Disclosure in Half Year and Quarterly" which disclosed the following:

"Kasbah Resources Limited (Kasbah or the Company) previously disclosed in its Scheme Booklet released on 18 October 2016 that Pala Investments Limited (Pala) had the right to secure the A\$1,000,000 loan plus interest provided to Kasbah (Pala Loan). The Pala Loan was subsequently secured against the assets of Kasbah other than Kasbah's interest in the Atlas Tin Project joint venture."

This announcement corrects the previous descriptions of the Pala Loan in Kasbah's announcement on 10 March 2017 (Half Year Accounts) and 27 April 2017 (Quarterly Activities Report) which describe the Pala Loan as an unsecured loan. The Half Year Accounts for the period ending 31 December 2016 accompany this announcement which includes the relevant amendment to the Pala Loan description in the Consolidated Balance Sheet and accompanying note 5 to the accounts."

Listing Rules and Guidance

7. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
8. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity"

and section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* "When does an entity become aware of information".
9. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

"3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:

3.1A.1 *One or more of the following applies:*

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

3.1A.2 *The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

3.1A.3 *A reasonable person would not expect the information to be disclosed."*

10. ASX's policy position on the concept of "confidentiality", which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. In particular, the Guidance Note states that:

"Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule."

11. Listing Rule 10.1 which states that:

10.1 *An entity (in the case of a trust, the responsible entity) must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, any of the following persons without the approval of holders of the entity's ordinary securities.*

10.1.1 *A related party of the entity.*

10.1.2 *A child entity of the entity.*

10.1.3 *A substantial holder in the entity, if the person and the person's associates have a relevant interest, or had a relevant interest at any time in the 6 months before the transaction, in at least 10% of the total votes attached to the voting securities in the entity.*

10.1.4 *An associate of a person referred to in rules 10.1.1 to 10.1.3.*

10.1.5 *A person whose relationship to the entity or a person referred to in rules 10.1.1 to 10.1.4 is such that, in ASX's opinion, the transaction should be approved by security holders.*

If an entity breaks this rule, ASX may require it to take the corrective action set out in rule 10.9.

10.2 *An asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules.*

10.2.1 In calculating the value, each of the following rules applies.

- *Intangibles will be included.*
- *Provisions for depreciation and amortisation will be deducted.*
- *Liabilities acquired as part of an acquisition will not be deducted.*
- *Separate transactions will be aggregated if, in ASX's opinion, they form part of the same commercial transaction.*

12. Listing Rule 19 defines "to dispose" as follows:

dispose to dispose or agree to dispose directly or through another person by any means, including the following.

- *Granting or exercising an option.*
- *Using an asset as collateral.*
- *Decreasing an economic interest.*
- *Disposing of part of an asset.*

Pursuant to Listing Rule 18.7, ASX requires KAS to answer the following questions in a format suitable for release to the market:

1. Please advise whether the loan of \$1m from Pala Investments Ltd ("Loan") was at any time secured against any of KAS's assets?
2. If the answer to question 1 is "yes" on what date was the Loan secured against KAS's assets?
3. If the answer to question 1 is "yes" please advise what assets the Loan is secured against and is the Loan of a fixed or floating nature?
4. If the answer to question 1 is "yes" please advise when KAS first became aware that the Loan was secured against KAS's assets, and address the following:
 - 4.1. Whether KAS considers that information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
 - 4.2. Whether KAS made any announcement about the Loan being secured against KAS's assets? If so, please provide details. If not, please explain why this information was not released to the market commenting specifically on when you believe KAS was obliged to release this information under Listing Rules 3.1 and 3.1A and what steps KAS took to ensure that the information was released promptly and without delay.

5. Please confirm that KAS is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
6. If the answer to question 1 is “yes” did KAS obtain shareholder approval under Listing Rule 10.1 for the disposal? If so, please provide details. If not, please advise why shareholder approval was not obtained, commenting specifically on the value of the asset securing the Loan, given the granting of security to a substantial shareholder over an asset or assets to which Listing Rule 10.2 applies constitutes the disposal of a substantial asset, which would require the approval of the Company’s shareholders for the purposes of listing rule 10.1.
7. Please confirm that KAS’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of KAS with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 5.00 pm WST on Wednesday 7 June 2017. If we do not have your response by then, ASX will have no choice but to consider suspending trading in KAS’s securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, KAS’s obligation is to disclose the information “immediately”. This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at Dawn.James@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to KAS’s obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

It should be noted that KAS’s obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in KAS’s securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;

- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Dawn James
Adviser, Listings Compliance (Perth)