



30 October 2017

ASX CODE: KAS

TIN IS OUR PRIME COMMODITY

LME TIN PRICE (27/10/17)

US\$19,750 / t

(CASH BUYER)

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: | 1,044M |
| UNLISTED OPTIONS: | 6.5M |
| CASH @ 30/09/17: | \$5.0M |

MAJOR SHAREHOLDERS

| | |
|--------------------|-------|
| PALA INVESTMENTS | 21.5% |
| AFRICAN LION GROUP | 13.1% |
| ACORN CAPITAL | 4.8% |
| TRAXYS | 4.2% |
| THAISARCO | 3.1% |

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SEPTEMBER 2017 QUARTERLY REPORT

"The September quarter focussed on the continuing de-risking of the Achmmach project, which included adapting the 2016 Small Start Option ("SSO") Definitive Feasibility Study ("DFS") to include recommendations proposed by AMC and considering opportunities to optimise mine scheduling and the design and capacity of the processing plant. The Company also appointed Russell Clark as its new Chief Executive Officer to lead Kasbah as it transitions the Achmmach project through feasibility, funding, construction and into production."

September 2017 quarter highlights

- Russell Clark appointed as Chief Executive Officer from 16 October 2017.
- The Board has commenced a search for a third independent non-executive director ("NED") to complement the existing skills of the Board. On appointment of the NED, the Board will consist of a majority of independent directors.
- Successful conversion of the existing Achmmach permits from Permits to Exploit ("PE") into Licenses to Exploit ("LE") in accordance with Morocco's New Mining Law.
- Completed the geotechnical drilling and modelling for the Water Storage Dam ("WSD") and Tailings Storage Facility ("TSF"), including finalising the location and rate of rise assumptions. The company considers environmental protection as a fundamental duty in establishing its license to operate.
- Engaged Lycopodium ADP to finalise process engineering and design incorporating the recommendations in AMC's independent technical review of the 2016 SSO DFS. As part of this review a number of changes are being considered to de-risk the project further and optimise the mine schedule and plant design.
- The updated 2017 DFS continues to progress with cost estimates received for the vast majority of operating and capital vendor packages. Results of 2017 DFS expected to be released in January 2018 or earlier if possible.
- Tin price remains steady at ~US\$20,000/t. Demand and supply fundamentals remain positive and LME stocks test multi-decade lows.

SEPTEMBER QUARTERLY REPORT

Kasbah Resources Limited (“**Kasbah**” or “**the Company**”) is pleased to provide this update to the market.

CORPORATE

▪ New CEO announced and CFO commenced during the quarter

Russell Clark was announced as Chief Executive Officer on 26 September 2017 and commenced on 16 October 2017. Russell is a highly experienced and successful senior resource sector executive, and has more than 38 years’ experience in technical roles, project development, general management and executive positions in the UK, USA, Africa, South America, Papua New Guinea, and throughout Australia. Russell brings a wealth of experience in leading teams during feasibility, project development and funding as well as production and has a demonstrable ability to communicate effectively with the market.

Russell will work closely with the Board of Directors, Evan Spencer (Chief Operating Officer) and Keith Pollocks (Chief Financial Officer) to fund and develop Achmmach into production.

Keith Pollocks commenced as Chief Financial Officer on 17 July 2017 as was appointed Company Secretary on 11 September 2017. Keith has an impressive background in the natural resources sector and extensive experience in a variety of senior finance roles, having led and managed major commercial negotiations and projects within globally significant corporations.

▪ Board commenced a search for an independent non-executive director

The Board has commenced a search for a third independent non-executive director with complementary skills to the existing directors as the company advances the Achmmach Project. The Company believes in adopting the highest standard of corporate governance. Reflecting this, the Board is working towards altering the composition of the Board to a majority of independent directors.

ACHMMACH

▪ Project Update

The Company continues to progress the Achmmach Tin Project. During the September quarter, the Company focussed on the continued de-risking of the project by incorporating the recommendations of the independent technical review of the 2016 Small Start Option (“**SSO**”) DFS completed by AMC Consultants. As part of this review process, the Company is considering a number of other changes to incorporate more appropriate technology with the intention of improving the efficiency and overall value of the Project.

Key highlights from activities during the quarter include:

1. The Permit to Exploit issued under the previous Mining Law was successfully converted to a License to Exploit in accordance with Morocco’s New Mining Law (implemented in 2016). This reaffirms the Projects standing in the eyes of the local authorities;
2. The Company completed the geotechnical drilling and modelling for the Water Storage Dam (“**WSD**”) and the Tailings Storage Facility (“**TSF**”); and
3. The Company engaged Lycopodium ADP to provide further process engineering and design services to incorporate recommendations from the AMC’s independent technical review. The on-going work is likely to see a number of changes to the original SSO design, including:

- a. Moving away from the initially planned two phase approach (initial 500 ktpa plant and an upgrade to 750 ktpa plant) to commence with the larger 750 ktpa plant. The Company expects to incur a larger up-front capital as a result but will realise benefits over the life of the project by bringing forward cash inflows and reduced production risk.
- b. Replacement of the modular EDS mills with a proven traditional rod mill. In addition, other newer technologies which may be more appropriate for the Achmmach ore are being considered. The rod mill (or other newer technology) significantly de-risks the project and addresses a key recommendation of the AMC report.
- c. Examining alternative plant layout and location as part of the optimisation process. These works are not concluded, but if adopted, have the potential to shorten haulage, reduce infrastructure and tailing pumping requirements.
- d. The company continues to receive capital and operating cost estimates for third party vendor packages and intends to undertake further test work in the areas of grind size/abrasion, spiral circuits, High Pressure Grinding Roller (HPGR) and ore sorting in order to ensure an optimal outcome. This optimisation process has taken longer than anticipated and consequently the timeline to finalise financial metrics for the feasibility has been extended by 1 to 2 months. Accordingly, and with the intent of ensuring no “false starts”, the company now anticipates releasing results of the 2017 DFS in January 2018 or earlier if possible.

In addition to the key works outlined above, Kasbah is continuing with community engagement activities and gaining increased understanding of the requirements for relocating the community located in the vicinity of the mine.

EXPLORATION

Minimal exploration activity were undertaken during the quarter while the Company focussed on advancing the Achmmach 2017 DFS.

During the September quarter Kasbah completed the Environmental Impact Assessment (“EIA”) base line study for its 100% owned Bou El Jaj exploration project located 13km’s to the south of Achmmach. The EIA was the final document required for Kasbah’s dossier’s for conversion of the Bou El Jaj tenements from Permit to Exploit (“PE”) to License to Exploit (“LE”) in accordance with the Moroccan Mining Law. The dossier has now been submitted.

FINANCIAL

Kasbah successfully completed the rights issue with the closing of the retail component on 28 July 2017. The rights issue raised \$5.2 million from both institutional and retail investors, before costs. Kasbah thanks its shareholders for participating in the rights issue.

▪ Cash/Debt

Cash and short-term deposits at 30 September 2017 were \$5.0m.

Debt as at 30 June 2017 was \$1.1m

TIN MARKET

Prices

Tin prices remained strong over the quarter, averaging US\$20,561/t with a high of US\$20,975/t. LME tin inventory levels continue to come under pressure with inventory at multi-year lows.

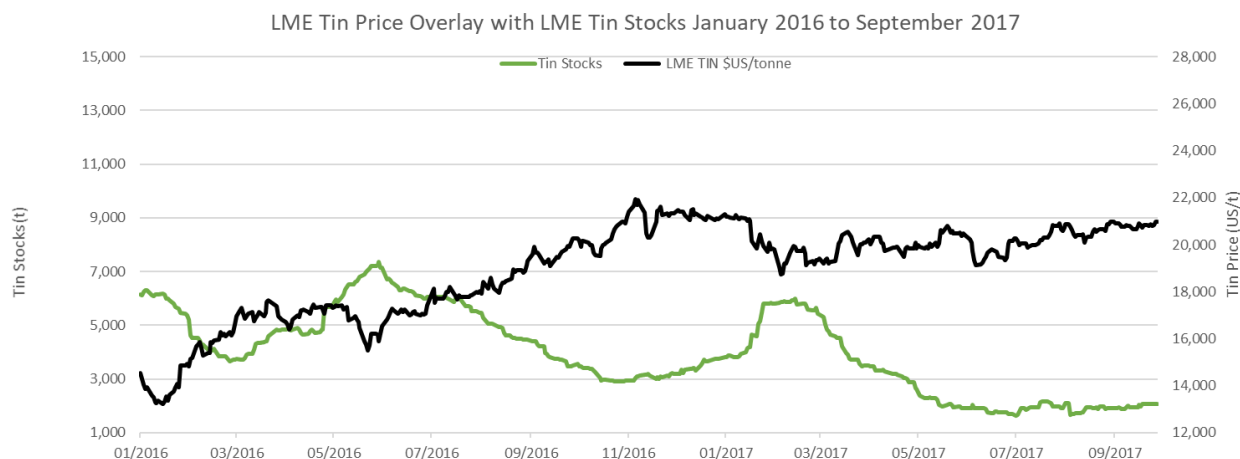


Figure 1: LME Tin Price vs LME Stocks – Jan 2016 to Sep 2017

Supply side: lower inventory levels, slowing mine supply

London Metal Exchange (“LME”) stockpiles for tin have continued to decline during the year but ended marginally higher at the end of the quarter (2,070 mt) compared to the end of the previous quarter (1,690 mt). 2017 stockpiles were 5,995 mt at their highest. Current stockpile levels make up less than 1% of annual global demand. ITRI estimates that present global tin reserves will last a minimum of 7 years, in the absence of further resource conversion.

Myanmar exports of tin to China increased almost 70% year on year. ITRI, a tin industry representative body, retains the view that future production from Myanmar is likely to fall on underlying decline in mining activity, particularly in the Wa province, and as easy to mine alluvial deposits are depleted.

PT Timah, the Indonesian state owned producer, reported refined tin production increase of 56.6% year on year on the back of new tin resources, increased expertise and productivity-boosting smelter innovations. ITRI estimates that 2017 Indonesian refined tin production will rise to 75,000 tonnes from 66,400 tonnes primarily on the back of Timah’s output.

Overall, although the short term supply pressures appear to have eased during the quarter, there continues to be long term supply deficit for tin, particularly with the growing EV and semi-conductor markets.

Demand side: the positive game changer

Global semiconductor shipments, representing around 50% of tin demand, have continued to increase. Industry body World Semiconductor Trade Statistics expects the semiconductor market to grow by more than 10% to US\$388 billion next year. This represents a significant increase in overall tin demand. Longer term we remain bullish on the outlook for semiconductor growth. In addition the trend in energy generation, storage and switch from hydro carbons towards sustainables and batteries, paints an attractive outlook for longer term demand.

The themes of supply pressure and increasing demand from existing and new technology applications remains firmly in place and supportive of a robust price outlook. Solder remains the likely largest consumer of tin with constant miniaturisation of electronics more than offset by the growth of electronic components. The potential growth and driver of tin price could be the evolving use of Lithium-ion batteries in the electric vehicle/plug-in hybrid electric vehicle (“EV/PHEV”) sectors. Macquarie has recently upgraded its electronic vehicle sales projections and now expect EV/PHEV sales to reach 5.0% of global sales (5.55M units) by 2022, from 1.0% (1.26m units) in 2016. ITRI estimates that EV/PHEV’s will use four times the amount of tin than traditional vehicles. Tin is used both as solder as well as componentry in EV/PHEV’s.

▪ **Outlook looks promising**

Our view on the outlook for tin remains unchanged. The price outlook remains positive with mine supply continuing to face challenges, and despite fluctuating inventory levels, demand continues to outpace supply which is expected to persist for the medium/longer term, making it increasingly likely that the 2017 deficit will be larger than that seen in 2016.

LOOKING FORWARD

Commenting on the quarter, CEO Russell Clark said:

“I am excited to have joined Kasbah as CEO. My initial perspectives are that Achmmach is fundamentally an excellent resource, market dynamics are strong and Kasbah has the required capability and experience at the Board and Management levels to take this forward. We are working on de-risking the project and optimisation to ensure that Achmmach provides attractive returns in the longer term.

The September quarter represented an extremely busy period for Kasbah as the new board and management team settled into their roles whilst continuing to advance the DFS and commence initial discussions with advisors, investors and lenders in relation to financing the project. There is a lot of work ahead of us but we look forward to the challenge, remain intent on getting it right and will be looking to update the market on the results of our DFS in January 2018.

The next quarter is critical as we will be completing the updated 2017 DFS. A favourable DFS would result in a very busy 2018 as we commence final engineering and design work as well as financing activities to enable the Kasbah Board and our joint venture partners to reach a decision to mine.

I look forward to keeping all stakeholders informed of our progress.”



Russell Clark
Chief Executive Officer

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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 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 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 |
|---------------------|----------|---------------|------------------------|-----------------------------|-----------------------------|
| Achmmach* | Morocco | LE332919 | 75% | - | - |

**Kasbah successfully converted PE2912 to LE332912 under the new Moroccan Mining Law during the quarter.*

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%* |
| | PE | 193172 | 75%* |
| Bou El Jaj | PE | 213172 | 100% |
| | PE | 193313 | 100% |
| Tamlalt | PE | 223197 | 100% |
| | PE | 223198 | 100% |
| | PE | 223199 | 100% |
| | PE | 223200 | 100% |
| | PE | 223201 | 100% |
| | PE | 223202 | 100% |
| | PE | 223203 | 100% |
| | PE | 223204 | 100% |
| Ezzhiliga (Zaer) | PR | 2137996 | 100% |
| | PR | 2137997 | 100% |
| | PR | 2137998 | 100% |
| | PR | 2137999 | 100% |
| | PR | 2138023 | 100% |
| Ment | PR | 1939809 | 100% |
| | PR | 1939821 | 100% |
| | PR | 1939822 | 100% |
| | PR | 2138097 | 100% |
| | PR | 2138099 | 100% |
| | PR | 2138100 | 100% |
| | PR | 1940002 | 100% |
| | PR | 1940003 | 100% |
| | PR | 1940004 | 100% |
| | PR | 1940082 | 100% |
| | PR | 1940095 | 100% |
| | PR | 1940099 | 100% |

All permits are located in the Kingdom of Morocco.

LEGEND: 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 JV.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

KASBAH RESOURCES LIMITED

ABN

78 116 931 705

Quarter ended ("current quarter")

30 SEPTEMBER 2017

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | - | - |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (478) | (478) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (715) | (715) |
| (e) administration and corporate costs | (283) | (283) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 18 | 18 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Research and development refunds | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (1,458) | (1,458) |

| | | |
|--|------|------|
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) property, plant and equipment | (10) | (10) |
| (b) tenements (see item 10) | - | - |
| (c) investments | - | - |
| (d) other non-current assets | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (3 months) \$A'000 |
|---|---|------------------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) property, plant and equipment | - | - |
| | (b) tenements (see item 10) | - | - |
| | (c) investments | - | - |
| | (d) other non-current assets | - | - |
| 2.3 | Cash flows from loans to other entities | - | - |
| 2.4 | Dividends received (see note 3) | - | - |
| 2.5 | Other (refund of bank guarantees) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (10) | (10) |

| | | | |
|-------------|---|--------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of shares | 4,984 | 4,984 |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of share options | - | - |
| 3.4 | Transaction costs related to issues of shares, convertible notes or options | (403) | (403) |
| 3.5 | Proceeds from borrowings | - | - |
| 3.6 | Repayment of borrowings | - | - |
| 3.7 | Transaction costs related to loans and borrowings | - | - |
| 3.8 | Dividends paid | - | - |
| 3.9 | Other (transactions with non-controlling interests) | 137 | 137 |
| 3.10 | Net cash from / (used in) financing activities | 4,718 | 4,718 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,721 | 1,721 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,458) | (1,458) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (10) | (10) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 4,718 | 4,718 |
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of period | 4,971 | 4,971 |

| 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 | 370 | 790 |
| 5.2 Call deposits | 4,045 | 697 |
| 5.3 Bank overdrafts | - | - |
| 5.4 Other (provide details) – Cash held in Morocco | 556 | 234 |
| 5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 4,971 | 1,721 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

| Current quarter \$A'000 |
|------------------------------------|
| 56 |
| - |

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

| Current quarter \$A'000 |
|------------------------------------|
| - |
| - |

| 8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i> | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|---|--|
| 8.1 Loan facilities | 1,000 | 1,000 |
| 8.2 Credit standby arrangements | - | - |
| 8.3 Other (please specify) | - | - |
| 8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. | | |

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 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. Repayment of the loan was due on or before 10 August 2017 however on 18 December 2016, Kasbah and Pala agreed to extend the maturity of the loan, at no penalty to 31 December 2017. Additionally, Kasbah at its election, can extend the maturity for a further 6 months (to 30 June 2018) with the payment of a fee equalling 3% of the outstanding commitment at that time.

| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|----------------|
| 9.1 Exploration and evaluation | 964 |
| 9.2 Development | - |
| 9.3 Production | - |
| 9.4 Staff costs | 857 |
| 9.5 Administration and corporate costs | 466 |
| 9.6 Other (provide details if material) | - |
| 9.7 Total estimated cash outflows | 2,287 |

| |
|--|
| |
|--|

| 10. Changes in tenements (items 2.1(b) and 2.2(b) above) | Tenement reference and location | Nature of interest | Interest at beginning of quarter | Interest at end of quarter |
|--|--|---------------------------|---|-----------------------------------|
| 10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | | | | |
| 10.2 Interests in mining tenements and petroleum tenements acquired or increased | | | | |

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .....
(Company secretary)

Date: 30 October 2017

Print name: Keith Pollocks

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.