KASBAH RESOURCES LIMITED

ACN 116 931 705

# Condensed Consolidated Interim Financial Report

For the Half Year Ended

31 December 2019

# Corporate Directory

## Directors

Evan James Spencer (Executive Chairman)
Kapil Ashvin Seetulsingh (Non-executive Director)
Nicholas Michael Slade (Non-executive Director)

## Company Secretary

Pradeep Subramaniam

## Principal Registered Office in Australia

Level 13, 459 Collins Street
Melbourne VIC 3000

Telephone: +61 3 9482 2223
E-mail: info@kasbahresources.com
Web: www.kasbahresources.com

## Stock Exchange Listing

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

## Share Registry

Link Market Services Limited
Level 12, QV1 Building
250 St Georges Terrace
Perth WA 6000
Telephone: +61 1300 554 474

## Bankers

Westpac Banking Corporation
1257 – 1261 Hay Street
West Perth WA 6005

## Auditors

HLB Mann Judd (WA) Partnership
Level 4
130 Stirling Street
Perth WA 6000

Telephone: +61 8 9227 7500
Facsimile: +61 8 9227 7533

## Solicitors

Herbert Smith Freehills
42/101 Collins Street
Melbourne VIC 3000
Telephone: +61 3 9288 1234
Facsimile: +61 3 9288 1567

# Table of Contents

DIRECTORS REPORT ..... 2

AUDITOR'S INDEPENDENCE DECLARATION ..... 6

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ..... 7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ..... 9

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ..... 10

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ..... 12

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ..... 13

DIRECTORS DECLARATION ..... 23

INDEPENDENT AUDITOR'S REVIEW REPORT ..... 24

# 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 2019.

**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 Evan Spencer (appointed 31 December 2019)
- Mr Ashvin Seetulsingh (appointed 24 January 2020)
- Mr Nicholas Slade (appointed 24 January 2020)
- Mr Phil Baker (resigned 7 October 2019)
- Mr John Gooding (resigned 31 December 2019)
- Mr Graham Ehm (resigned 24 January 2020)
- Mr Martyn Buttenshaw (resigned 24 January 2020)

**REVIEW OF OPERATIONS**

**Operating Results**

Loss after tax from continuing operations for the half-year ended 31 December 2019 was $2,620,842 (2018: $3,905,133). The loss after tax was derived after exploration and evaluation expenditure of $665,378 (2018: $937,875), project financing expenses of $20,205 (2018: $619,986), employee benefit expenses of $522,080 (2018: $633,229), share based payments expense of $365,675 (2018: $327,089) and administrative expenses of $150,030 (2018: $380,088). Current period loss also included non-recoverable Moroccan VAT expense of $155,225 (2018: $293,030). Interest on borrowings was $437,762 (2018: $249,081). As disclosed in the 30 June 2019 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 exploration and evaluation expenditure of $665,378, a significant reduction compared to the half year to 31 December 2018. In the current period, exploration and evaluation expenditure mainly involved the drilling campaign undertaken to better understand the Sidi Addi trend as well as the process to renew the Achmmach Tin Project Environmental and Social Impact Assessment (ESIA), whilst the comparative period involved Front End Engineering Design and plant layout and design optimisation. Project financing costs significantly reduced as the Company slowed down financing activities following the decline in the tin price in early September 2019. Employee benefits expenses of $522,080 were also lower than the comparative period in line with the Company's efforts to reduce its corporate costs. Accounting and corporate fees of $211,333 were lower than the comparative period primarily due to higher legal and compliance costs associated with corporate activities undertaken during the comparative period. Interest and borrowing costs were significantly higher following the increase in the principal amount of the loan from Pala Investments Limited following the initial refinancing of the bridge facility into a $5,000,000 convertible loan in December 2018 and the additional funding of $1,300,000 secured and approved by shareholders at the 2019 Annual General Meeting.

**REVIEW OF OPERATIONS (CONTINUED)**

The Group reported a net decrease in cash balance of $1,030,287 comprising of net cash outflows from operating activities of $2,174,517, net cash inflows from investing activities of $3,190 and net cash inflows from financing activities of $1,141,040. The net cash inflows from financing activities were primarily from the drawdown of the first tranche of the increased convertible loan facility $800,000. The second tranche of $500,000 of the convertible loan facility can be drawn down after 1 June 2020.

**Tin Market**

Tin prices were generally weak during the half year, ranging between a high of US$18,875/t and a low of US$15,700/t and averaging US$16,898/t. The tin price decline over the period was primarily due to increasing LME tin inventory which has continued to increase over the period and reached a high of 7,390 tonnes. LME tin stockpiles were at historic lows in May 2019, which saw tin prices above US$22,000/t. A decision by certain Chinese smelters to cut production at the start of September did not see a sustained recovery in tin prices. Consistent with the seasonal impact of the Chinese lunar new year, the tin prices increased in January 2020, reaching $17,750/t. However, the impact of the potential COVID-19 pandemic has seen tin prices, along with other metals, decline and remain weak. The present scenario is expected to persist over the next 12-18 months.

The increase in tin inventory can be attributed to weak demand across the board, with the global semiconductor markets particularly impacted by the ongoing global trade disputes further exacerbated by the recent outbreak of the COVID-19 virus. Whilst the long-term market fundamentals remain unchanged and prices are expected to rise over the medium to long term, in the short term, the depressed tin prices are expected to continue.

**Achmmach Tin Project**

***Project Development***

During the half year, the Group completed an initial drilling program which proved the continuity of tin mineralisation along the 1.2km strike of the previously untested Sidi Addi trend, which runs parallel to the main Meknes trend.

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

Having established the continuity of tin mineralisation, additional drilling will be required for a mineral resource to be defined. The company does not intend to undertake further drilling at this stage, however, it will continue to work on interpretation of the Sidi Addi trend mineralisation with a view of developing a further phase of diamond drilling in the future.

In addition to the drilling program, the Company has continued to progress with its project related optimisation initiatives, including investigating opportunities to reduce operating costs and extending mine life.

**REVIEW OF OPERATIONS (CONTINUED)**

***Project Financing***

The Company completed Front End Engineering Design (FEED) and the Independent Technical Specialist Report (ITSR) in 2019, which confirmed the technical viability and capital costs estimates of the 2018 DFS. The Company commenced discussions with shortlisted financiers after receiving strong interest from several commercial financial institutions to finance a debt package for the development of the Achmmach Tin Project. However, in September 2019 tin price declined significantly on the back of weak demand in the current global macro-economic environment, particularly as a result of the trade wars in key semiconductor markets. Consequently, the Company decided that the current conditions were not conducive to securing a project funding package and therefore not to rapidly advance project financing activities. The Company will instead use the opportunity to review its corporate structure and costs and ensure that funds are utilised to continue maintaining the Achmmach Tin Project in good standing.

Notwithstanding these short-term challenges, the Achmmach Tin Project is the most advanced greenfield tin project in the world located in a safe, secure, conflict free and mining friendly jurisdiction, and the work completed to date has established its technical and financial viability. Kasbah is ready to take best advantage in an improved tin price cycle when the market turns.

***Environmental and Social Impact Assessment***

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

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

**Corporate**

In October 2019, the Company announced that it had secured additional funding through an increase and extension of the convertible loan arrangement with Pala Investments Limited, subject to meeting certain condition precedents including shareholder approval. The balance of the existing Pala convertible loan of A$5.6 million (including accrued interest and capitalised charges) as at 30 September 2019, was increased by the new loan of A$1.3 million, to be drawn down in two tranches; $800,000 following shareholder approval and $500,000 after 1 June 2020. Kasbah has also exercised its option to extend the maturity of the loan for a further 12 months from 31 December 2019 to 31 December 2020.

The increase in the convertible loan was approved at the 2019 AGM, following which the first tranche of $800,000 was drawn down. Key terms of the convertible loan are available on the Company’s website (ASX announcement, 1 October 2019).

**REVIEW OF OPERATIONS (CONTINUED)**

At the corporate level, a number of personnel changes occurred during the period and subsequent to balance date. Mr Keith Pollocks stepped down as Chief Financial Officer and Company Secretary effective from 13 December 2019 and was replaced by Mr Pradeep Subramaniam. Mr John Gooding resigned as Independent Chairman of the Board effective from 31 December 2019. Mr Evan Spencer, previously Chief Executive Officer, assumed the role of Executive Chairman. Subsequent to the end of the period , Mr Ashvin Seetulsingh and Mr Nicholas Slade replaced Mr Graham Ehm and Mr Martyn Buttenshaw as non-executive directors.

The Company has proactively responded to the weak tin price environment by reducing its corporate costs structure to navigate the current challenging macro-economic conditions. This involved changes in personnel and reduction in cost overheads where permissible. These cost reduction initiatives are focussed on corporate costs and project activities and costs in Morocco remain largely unabated. However, the recent outbreak of the COVID-19 virus and potential pandemic has further exacerbated the global macro-economic conditions. These conditions are expected to persist in the medium term which will have an impact on the ability for Kasbah to successfully secure project funding, strategic partnerships or find corporate opportunities for the business in the short to medium term.

In light of the deterioration in market conditions, the Company is considering all options to further reduce costs whilst keeping our projects in good standing and ensure that everything possible is done so that the Company can navigate through an extended downturn during 2020. Kasbah will engage with shareholders and other stakeholders to discuss options to reduce costs and also increase liquidity so that the Company will have sufficient funds over the next 12 - 18 months to navigate the challenging conditions

**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 2019.

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

**Evan Spencer**
Executive Chairman

**Ashvin Seetulsingh**
Non-executive Director

Melbourne, 12 March 2020

HLB MANN JUDD
ADVISORY AND ACCOUNTING

**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the review of the consolidated financial report of Kasbah Resources Ltd for the half-year ended 31 December 2019, 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.

**Perth, Western Australia**
**12 March 2020**

**B G McVeigh**
**Partner**

**hlb.com.au**

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
# For the Half-Year Ended 31 December 2019

| | | Consolidated | |
|---|---|---|---|
| | | **31 December 2019** | **31 December 2018** |
| | **Notes** | **$** | **$** |
| Revenue from continuing operations | 3 | 2,521 | 7,377 |
| | | | |
| Exploration and evaluation expenditure | | (665,378) | (937,875) |
| Project financing expenses | | (20,205) | (619,986) |
| Employee benefits expenses | | (522,080) | (633,229) |
| Employee share-based payment expense | | (365,675) | (327,089) |
| Accounting and corporate fees | | (211,333) | (253,913) |
| Occupancy expense | | (54,358) | (63,636) |
| Administration expenses | | (150,030) | (380,088) |
| Marketing and investor relations | | (17,187) | (112,209) |
| Transaction fees and other associated costs | | 13,329 | (28,375) |
| Interest and borrowing costs | | (437,762) | (249,081) |
| Non-recoverable Moroccan VAT expense | | (155,225) | (293,030) |
| Depreciation and amortisation expenses | | (10,018) | (9,083) |
| Foreign exchange (losses)/ gains | | (27,441) | (4,916) |
| (Loss) from continuing operations before tax expense | | (2,620,842) | (3,905,133) |
| Income tax benefit / (expense) | | - | - |
| (Loss) after tax from continuing operations | | (2,620,842) | (3,905,133) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Foreign currency translation difference on foreign operations | | 86,529 | 242,854 |
| **Total comprehensive loss for the period** | | **(2,534,313)** | **(3,662,279)** |

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
# For the Half-Year Ended 31 December 2019

| | | Consolidated | |
|---|---|---|---|
| | Notes | 31 December 2019 $ | 31 December 2018 $ |
| Total loss for the year is attributable to: | | | |
| Non-controlling interest | | (187,562) | (417,692) |
| Owners of Kasbah Resources Limited | | (2,433,280) | (3,487,441) |
| | | **(2,620,842)** | **(3,905,133)** |
| Total comprehensive loss for the year is attributable to: | | | |
| Non-controlling interest | | (171,875) | (354,811) |
| Owners of Kasbah Resources Limited | | (2,362,438) | (3,307,468) |
| | | **(2,534,313)** | **(3,662,279)** |
| Loss per share for the year attributable to the members of Kasbah Resources Limited: | | | |
| Basic (loss) per share (cents per share) | 8 | (1.83) | (3.33) |
| Diluted (loss) per share (cents per share) | 8 | (1.83) | (3.33) |

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 2019

| | | Consolidated | |
|---|---|---|---|
| | | 31 December 2019 | 30 June 2019 |
| | Notes | $ | $ |
| **Current Assets** | | | |
| Cash and cash equivalents | | 912,274 | 1,916,223 |
| Trade and other receivables | | 251,700 | 345,445 |
| Non-current assets classified as held for sale | | 1 | 1 |
| **Total Current Assets** | | 1,163,975 | 2,261,669 |
| **Non-Current Assets** | | | |
| Property, plant and equipment | | 16,599 | 26,562 |
| Exploration and evaluation expenditure | | 6,140,046 | 6,086,786 |
| **Total Non-Current Assets** | | 6,156,645 | 6,113,348 |
| **Total Assets** | | **7,320,620** | 8,375,017 |
| **Current Liabilities** | | | |
| Trade and other payables | 4 | 550,736 | 970,334 |
| Borrowings | 5 | 6,535,343 | 5,305,666 |
| **Total Current Liabilities** | | 7,086,079 | 6,276,000 |
| **Non-Current Liabilities** | | | |
| Employee entitlements | | 12,546 | 12,911 |
| **Total Non-Current Liabilities** | | 12,546 | 12,911 |
| **Total Liabilities** | | **7,098,625** | 6,288,911 |
| **NET ASSETS** | | **221,995** | 2,086,106 |
| **Equity** | | | |
| Issued capital | 6 | 74,233,355 | 74,233,355 |
| Reserves | | 30,098,801 | 29,662,282 |
| Accumulated losses | | (104,553,869) | (102,120,587) |
| Parent entity interest | | (221,713) | 1,775,050 |
| Non-controlling interest | 7 | 443,708 | 311,056 |
| **TOTAL EQUITY** | | **221,995** | 2,086,106 |

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 2019

| Consolidated | Issued Capital<br>$ | Accumulated Losses<br>$ | Share Based Payments Reserves<br>$ | Foreign Currency Translation Reserves<br>$ | Equity Component of Convertible Loan<br>$ | Other Reserves<br>$ | Sub-Total<br>$ | Non-controlling Interest<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|---|---|
| **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 Changes in Equity
# For the Half Year Ended 31 December 2019

| 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 2019** | **74,233,355** | **(102,120,587)** | **4,377,393** | **(721,991)** | **133,531** | **25,873,350** | **1,775,050** | **311,056** | **2,086,106** |
| Loss for the period | - | (2,433,280) | - | - | - | - | (2,433,280) | (187,562) | (2,620,842) |
| **Other comprehensive income** | | | | | | | | | |
| Foreign currency translation differences | - | - | - | 70,842 | - | - | 70,842 | 15,687 | 86,529 |
| **Total comprehensive loss for the period** | **-** | **(2,433,280)** | **-** | **70,842** | **-** | **-** | **(2,362,438)** | **(171,875)** | **(2,543,313)** |
| **Transactions with owners in their capacity as owners** | | | | | | | | | |
| Share based payments | - | - | 365,675 | - | - | - | 365,675 | - | 365,675 |
| Transactions with non-controlling interests | - | - | - | - | - | - | - | 304,527 | 304,527 |
| **Balance 31 December 2019** | **74,233,355** | **(104,553,869)** | **4,743,068** | **(651,148)** | **133,531** | **25,873,350** | **(221,713)** | **443,708** | **221,995** |

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 2019

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 31 December 2018 $ |
| **Cash flows from operating activities** | | |
| Cash paid to suppliers and employees | (911,364) | (1,823,401) |
| Payments for exploration and evaluation | (1,264,649) | (1,531,481) |
| Interest received | 1,496 | 10,733 |
| **Net cash outflow from operating activities** | (2,174,517) | (3,344,149) |
| **Cash flows from investing activities** | | |
| Refunds for security deposits and bonds | 3,190 | 16,794 |
| Payments for plant and equipment | - | (862) |
| **Net cash inflow from investing activities** | 3,190 | 15,932 |
| **Cash flow from financing activities** | | |
| Proceeds from share issues | - | 130,000 |
| Share issue costs | (6,246) | (6,873) |
| Proceeds from borrowings | 800,000 | 5,500,000 |
| Repayment of borrowings | - | (3,935,814) |
| Proceeds from non-controlling interest | 347,286 | 349,505 |
| **Net cash inflow from financing activities** | 1,141,040 | 2,036,818 |
| Net decrease in cash held | (1,030,287) | (1,291,399) |
| Cash at the beginning of the period | 1,916,223 | 3,016,898 |
| Effect of exchange rate fluctuations on cash held in foreign currencies | 26,338 | 4,008 |
| **Cash at the end of the period** | 912,274 | 1,729,507 |

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

## 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 2019 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 2019 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 2019*

In the period ended 31 December 2019, 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 16 from 1 July 2019, using the modified retrospective approach, with no restatement of comparative information The Group has lease arrangements for office premises which has not resulted in a material impact as a result of adopting AASB 16 Leases.

There are no other material impact of the new and revised Standards and Interpretations on the Group.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*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 2019. As a result of this review the Directors have determined that there is no material impact of the Standards and Interpretations in issue not yet adopted on the Group and, therefore, no change is necessary to Group accounting policies.

**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 2019.

## 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Going concern

For the half year ended 31 December 2019 the consolidated entity recorded a loss of $2,620,842 (2018: loss of $3,905,133) and had net cash outflows from operating activities of $2,174,517 (2018: $3,344,149) and has a net current liability of $5,922,104 at 31 December 2019 (2018: $3,967,629).

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 has completed an Independent Technical Specialist Report (ITSR) and Front End Engineering Design (FEED), confirming both the technical feasibility and capital costs estimates of the 2018 DFS. Whilst the Company, together with its joint venture partners have been working to secure a project financing package prior to approving a decision to mine, the current weak tin price environment and weak macro-economic conditions has resulted in a slowing down of this process until the tin market improves and market conditions are more conducive to financing the project.

Short term funding needs are expected to be met through undertaking an equity raise, re-financing of the convertible loan or monetisation of the Company's assets. An inability to raise sufficient funds to re-pay the convertible loan due in December 2020, will require a refinancing or conversion pursuant to the terms of the convertible loan agreement. At this stage, the ability of the consolidated entity to continue as a going concern is dependent on these future events.

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 for the Company to continue as a going concern.

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.

## 2. SEGMENT INFORMATION

### a. Description of segments

The Chief Operating Decision Maker (CODM) has determined that the Company has one reportable segment, being mineral exploration and development, and one geographical segment, being Morocco. The reportable segment is the geographical segment. As the Company is focused on mineral exploration and development, the Board monitors the Company based on actual versus budgeted exploration and development 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 2019 $ | 31 December 2018 $ |
| Revenue from external customers | - | - |
| Reportable segment loss | (758,121) | (1,713,960) |
| Reportable segment assets | 6,431,789 | 6,529,029 |
| Reportable segment liabilities | (75,164) | (863,967) |

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

| | | |
|---|---|---|
| Total loss for reportable segment | (758,121) | (1,713,960) |
| Unallocated | | |
| Corporate expenses | (1,865,241) | (2,198,550) |
| Interest revenue | 1,008 | 7,377 |
| Value added tax refund | 1,513 | - |
| Loss before income tax from continuing operations | (2,620,842) | (3,905,133) |

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

| | | |
|---|---|---|
| Segment assets | 6,431,789 | 6,529,029 |
| Segment assets includes: additions to non-current assets | - | - |
| Unallocated | | |
| Cash | 750,280 | 1,501,173 |
| Unallocated | 138,551 | 177,794 |
| Total assets per consolidated statement of financial position | 7,320,620 | 8,207,996 |

## 2. SEGMENT INFORMATION (CONTINUED)

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 31 December 2018 $ |
| **A reconciliation of reportable segment liabilities to total liabilities is as follows:** | | |
| Segment liabilities | 75,164 | 863,967 |
| Unallocated | | |
| Payables | 217,464 | 219,544 |
| Provisions | 270,655 | 105,793 |
| Loans | 6,535,342 | 4,889,463 |
| Total liabilities per consolidated statement of financial position | 7,098,625 | 6,078,767 |
| **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 | (1,900,675) | (1,531,481) |
| Unallocated | (273,842) | (1,812,668) |
| Total cash flow from operating activities | (2,174,517) | (3,344,149) |
| **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 | 3,190 | (2,848) |
| Unallocated | - | 18,780 |
| Total cash flow from investing activities | 3,190 | 15,932 |
| **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 | 341,040 | 349,505 |
| Unallocated | 800,000 | 1,687,313 |
| Total cash flow from financing activities | 1,141,040 | 2,036,818 |

## 3. REVENUE AND OTHER INCOME

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 31 December 2018 $ |
| Interest revenue | 1,008 | 7,377 |
| Value added tax refund | 1,513 | - |
| | 2,521 | 7,377 |

## 4. TRADE AND OTHER PAYABLES

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 30 June 2019 $ |
| **Current** | | |
| Trade payables | 197,489 | 252,995 |
| Other payables and accruals | 241,543 | 580,432 |
| Employee entitlements | 111,704 | 136,907 |
| | 550,736 | 970,334 |

## 5. BORROWINGS

| | Consolidated | |
|---|---|---|
| | 31 December 2019 $ | 30 June 2019 $ |
| **Current** | | |
| Convertible loan – secured | 6,535,343 | 5,305,666 |
| | 6,535,343 | 5,305,666 |

On 20 December 2018, following approval by shareholders at the 2018 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 was 31 December 2019, however was 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%.

## 5. BORROWINGS (CONTINUED)

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

On 28 November 2019, following approval by shareholders at the 2019 Annual General Meeting, the convertible loan facility was increased by $1,300,000 to be drawn down in two tranches of $800,000 (following shareholder approval) and $500,000 (after 1 June 2020). Kasbah also exercised its option to extend the maturity of the loan to 31 December 2020 for an extension fee of $114,400. The interest of the loan increased to 15% from 1 January 2020. The equity component of the convertible loan is not material.

## 6. ISSUED CAPITAL

| | Consolidated | | Consolidated | |
|---|---|---|---|---|
| | 31 December 2019 Number of Shares | 30 June 2019 Number of Shares | 31 December 2019 $ | 30 June 2019 $ |
| **Issued and Paid-up Capital** | | | | |
| Ordinary shares, fully paid | 133,238,371 | 133,238,371 | 74,233,355 | 74,233,355 |
| **Movements in ordinary share capital** | | | | |
| Balance at the beginning of the financial period/year | 133,238,371 | 1,045,079,742 | - | 71,729,616 |
| Share purchase plan at 1.1 cents (Dec 2018) | - | 11,818,165 | - | 130,000 |
| Shares issued as part of NED Share Rights Plan (Dec 2018) | - | 3,144,653 | - | 50,000 |
| Share consolidation *(Note 1)* | - | (954,038,011) | - | - |
| Shares issued as part of NED Share Rights Plan (Feb 2019) | - | 568,256 | - | 100,000 |
| Non-renounceable rights issue at 9.5 cents (Mar 2019) | - | 26,501,441 | - | 2,517,637 |
| Share issue costs | | | - | (268,258) |
| Shares issued as part of NED Share Rights Plan (Apr 2019) | - | 164,125 | - | 13,696 |
| **Issued capital at end of period** | 133,238,371 | 133,238,371 | 74,233,355 | 74,233,355 |

*Note 1*
Following shareholders' approval at the 2018 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.

## 7. 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 2019<br>$ | 31 December 2018<br>$ |
| **Nittetsu Mining Co. Ltd (NMC) – 5% NCI** | | |
| Opening Balance – NCI | (863,230) | (912,033) |
| Funds received from NMC | 62,361 | 66,599 |
| Share of Comprehensive Loss for the year | (34,375) | (70,962) |
| | (835,244) | (916,396) |
| **Toyota Tsusho Corporation (TTC) – 20% NCI** | | |
| Opening Balance – NCI | 1,174,286 | 979,076 |
| Funds received from TTC | 242,166 | 266,394 |
| Share of Comprehensive Loss for the year | (137,500) | (283,849) |
| | 1,278,952 | 961,621 |
| **Total Non-controlling Interest** | **443,708** | **45,225** |

## 8. 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:

## 8. EARNINGS PER SHARE (CONTINUED)

| | Consolidated | |
|---|---|---|
| | **31 December 2019**<br>**Cents** | **31 December 2018**<br>**Cents** |
| Basic loss per share (cents per share) | (1.83) | (3.33) |
| Diluted loss per share (cents per share) | (1.83) | (3.33) |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 133,238,371 | 104,692,005 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 135,379,952 | 105,375,556 |

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

Following shareholders' approval at the 2018 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, for the purpose of basic and diluted earnings per share, has been adjusted on a 10 for 1 basis.

## 9. SHARE BASED PAYMENTS

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

*Long Term Incentive Plan (Performance Rights)*

| | Grant Date | Number | Vesting Date | Value per Performance Rights | Value of Performance Rights |
|---|---|---|---|---|---|
| ***Key management personnel*** | | | | | |
| Evan Spencer | 1 July 2019 | 4,015,023 | 30 June 2022 | $0.05 | $100,376 |
| Keith Pollocks | 1 July 2019 | 3,680,436 | 30 June 2022 | $0.05 | $92,011 |
| Pradeep Subramaniam | 1 July 2019 | 493,959 | 30 June 2022 | $0.05 | $12,349 |

Pursuant to the terms of the Long-Term Incentive Plan, the Performance Rights issued to employees who have ceased working with the Company (other than as a result of termination for poor performance or termination for cause) will continue to be held by or on behalf of the employee.

The Performance Rights issued will vest subject to the satisfaction of the vesting conditions outlined below:

- The Company's relative share price benchmarked against the S&P/ASX Small Ordinaries Resources Index over the 3-year period to 30 June 2022 *(Assumed probability 100%)*;
- The Company's absolute share price growth over the 3-year period to 30 June 2022 *(Assumed probability 50%)*; and
- Achmmach Tin Project's development progress (schedule and costs) against the approved project implementation plan *(Assumed probability 0%)*.

## 10. SUBSEQUENT EVENTS AFTER BALANCE DATE

On 3 January 2020, 974,491 new shares were issued pursuant to the vesting of NED Share Rights.

On 14 January 2020, 1,167,090 new shares were issued pursuant to the vesting of NED Share Rights.

On 24 January 2020, the Company welcomed Mr Kapil Ashvin Seetulsingh and Mr Nicholas Michael Slade as non-executive directors. Mr Seetulsingh and Mr Slade replaced Mr Graham Ehm and Mr Martyn Buttenshaw as non-executive directors.

On 5 March 2020, 4,279,466 NED Share Rights were issued to the new directors pursuant to the terms of the NED Share Rights Plan. The NED Share Rights were issued in lieu of directors fee for the period 24 January 2020 to 30 June 2020.

No other events or circumstances have arisen since 31 December 2019 that would require disclosure in this financial report.

## 11. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There have been no changes in contingent liabilities or contingent assets since 30 June 2019.

## 12. 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 7 to 22 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 2019 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.

Evan Spencer
Executive Chairman

Ashvin Seetulsingh
Non-executive Director

Melbourne, 12 March 2020

INDEPENDENT AUDITOR'S REVIEW REPORT
To the members of Kasbah Resources Ltd

**Report on the Condensed Half-Year Financial Report**

*Conclusion*

We have reviewed the accompanying half-year financial report of Kasbah Resources Ltd ("the company") which comprises the condensed consolidated statement of financial position as at 31 December 2019, the condensed consolidated statement of 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 consolidated entity 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 half-year financial report of Kasbah Resources Ltd is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 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 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 half-year financial report*

The directors of the company are responsible for the preparation of the half-year 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 half-year 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 half-year 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 half-year 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 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard

hlb.com.au

**HLB Mann Judd (WA Partnership) ABN 22 193 232 714**
Level 4, 130 Stirling Street, Perth WA 6000 / PO Box 8124 Perth BC WA 6849
**T:** +61 (0)8 9227 7500 **E:** mailbox@hlbwa.com.au
Liability limited by a scheme approved under Professional Standards Legislation.

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

AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 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 a half-year 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**
**12 March 2020**

**B G McVeigh**
**Partner**