

BDO error rocks the Kasbah merger

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Kasbah Resources has pulled its merger with Asian Mineral Resources in the face of a challenge to its shareholder-approved scheme of arrangements, citing criticism of the independent expert report supporting the deal.

It said late yesterday it had again deferred a Federal Court hearing to consider the merger, saying accountants BDO had admitted an error in calculations valuing the share issue to complete the merger.

The error changed BDO's recommendation from fair and reasonable, to "not fair but reasonable".

Kasbah said it now believed the Federal Court was unlikely to approve the scheme at a hearing on Monday.

The decision leaves Kasbah scrambling to negotiate a potential alternative with the Canadian-listed company or face a potential \$300,000 break fee if it withdraws from the deal.

It may also be required to repay a \$1 million loan offered by major shareholder and backer of the scheme, Pala Investments, a vehicle of Russian billionaire Vladimir Lorch, who is also a major shareholder of AMR.

Kasbah had \$900,000 at bank at the end of September.

While more than 90 per cent of shares were voted in favour of the transaction at a meeting last month, a small group of rebel shareholders sought to block the merger, arguing it undervalued Kasbah's Moroccan assets.

The dispute has also pitted advisory firms Deloitte and BDO against each other, after details of a Deloitte report criticising the independent expert report prepared by BDO, which recommended in favour of the merger, were published by News Limited yesterday. The Deloitte report was commissioned by the rebel shareholder group and attached to an affidavit filed in court early last week. Kasbah shares last traded at 2.4¢.