



Kasbah Resources (KAS)

No news quarter; drill results delayed

Tin in Morocco; pre-feasibility study December 2011

Recommendation

BUY

Price

27.5c

Indicative Valuation

45c

ASX Sector

Metals & Mining

- Intersuisse's favoured metal is tin.
- Intersuisse's indicative valuation of KAS is 45c a KAS share, based on information from KAS's scoping study of the underground resources.
- KAS's share price has drifted as KAS has not been able to release drill results due to poor drilling performance and slow assay turn-around
- We can expect news very soon from the assays that have had a slow turn-around, and also news from assays with a quicker turn-around.
- KAS now has 3 rigs on site, to increase the total amount of drilling.

Snapshot

Last Price	\$0.275
Market Cap.	\$100 million
52 week high	43.0c
52 week low	6.4c
Sector	Metals & Mining



KAS has reported an upgraded resource for the underground mineralisation of 2.2Mt Indicated & 4.8Mt Inferred, each at 0.8% Sn.

KAS has announced some results from drilling near surface mineralisation, which suggest the potential for an open cut start to mining.

Further drill results are expected soon.

Tin is a favoured commodity and Morocco wishes to encourage mining.

See www.kasbahresources.com

Analyst: Pieter Bruinstroop :

KAS share price has been soft

As shown in the chart to the right, the KAS share price has been soft over the last the last 3 months, under-performing the market. During this time

- The tin price has softened only slightly as LME stocks have risen
- Political leaders in 2 Arab countries have been toppled following demonstrations, and there have been reports of demonstrations in Morocco, as well as many other Arab countries, some of which have taken strong action
- KAS has not made any ASX announcements, while announcements on drilling have been expected.

Responses

Tin remains a favoured metal; LME stocks are not projected to match the deficit expected for 2011, but not 2012

Morocco has a long history of peaceful demonstration after Friday prayers, and little has changed, though the Government has responded positively.

KAS has had problems with its drill rigs and consumables and long turn-around times for assays. There are now 3 rigs operating, but the underground PFS is behind schedule so this is the current focus of drilling.

Investment View .

Intersuisse has an indicative valuation of KAS of 45c per share. This is based on the reported mining inventory from the underground resources.

We retain our Buy recommendation on KAS.

The KAS share price

Figure 1 shows that, the KAS share price has been soft over the last 3 months.

Figure 2 shows that the KAS share price has softened when the tin price has been soft, but has not moved up when the tin price has risen.

Intersuisse attributes this to the lack of newsflow.

The KAS share price has been soft, while the tin price has moved side-ways

Figure 1 : KAS share price

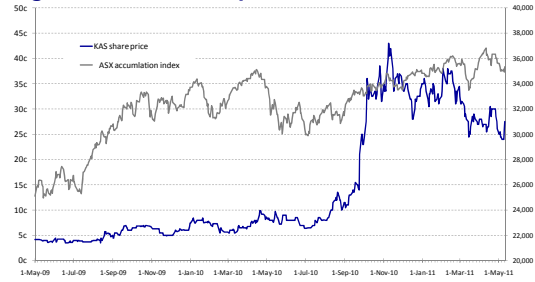
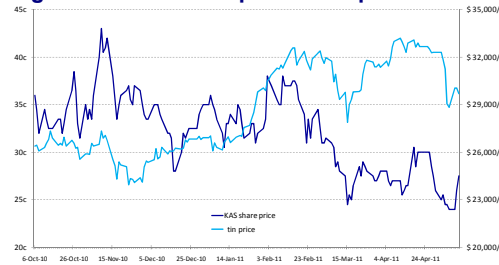


Figure 2 : KAS share price v. tin price



The lack of newsflow from KAS has been due to a lack of assay data to report from drilling, not from want of trying.

However, the drilling performance has been poor, with 8 holes abandoned, and the assay turnaround times very long.

Intersuisse attributes the soft LAS share price to a lack of newsflow.

Source : IRESS, Intersuisse

KAS Drilling

KAS's plan had been to have up to 4 drill rigs operating, one on the shallow mineralisation, 2 on under-ground mineralisation and one able to switch between under-ground and open-cut.

KAS changed drilling contractors at the start of this calendar year, from a contractor that could service only 2 rigs. It was always expected that there would be ramp-up period.

One of the 3 rigs used on site was too old and spent too much time in maintenance so the contractor was instructed to change out that rig. The third rig has only just arrived on site and should be in operation before the end of May.

There has also been a problem with drilling consumables, and the rigs have spent too much time idle.

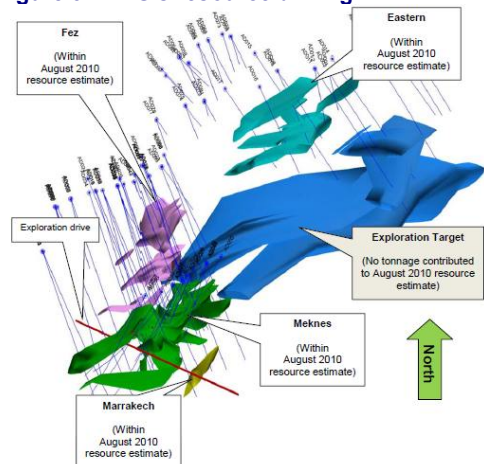
The lack of newsflow is due to poor drilling performance and long lead times for assays

KAS reported that a total of 3,931m was drilled in the quarter.

- This compares with a budget of 1,800m a month for 2 rigs and 2,500m a month for 3 drill rigs)
- 8 holes were abandoned or unable to reach planned depth due to a combination of ground conditions, lack of drilling consumables and poor mechanical availability.

Figure 3 shows the objectives of KAS's drilling program; extending the resource into the exploration target, shown in mid-blue, while also completing infill drilling to lift the Inferred into Indicated.

Figure 3 : KAS's resource drilling



Source : KAS Quarterly, 29 April 2011

KAS still expects its PFS before year end

These activities are to progress feasibility studies, with an aim of 10Mt of resources.

KAS state that an updated under-ground resource is expected by October 2011, which will be based on the drilling completed by July, allowing August for the related assays and then September for the resource calculation.

However, drilling will continue to increase both the volume and the confidence of the resource.

Assays

As well as the poor drilling performance, assay turn-around has been very slow. Until recently, the practice was

- Cut drill core on site
- Send cut core to Marrakesh, from where it would be sent to Spain for crushing
 - It would take 2 weeks in Marrakesh to send to Spain
 - The sample would take 4 weeks in Spain
- The sample would then be sent to Perth for assaying
 - typically, 4 to 6 weeks further

KAS has changed its assay procedures to reduce the turn-around time from 3 months to 3 weeks

From the start of May, KAS is now able to prepare the sample on site and now is using a laboratory in Norway which has spare capacity, as it is at a mine site.

The turn-around time has been reduced from about 3 months to 2 to 3 weeks.

Morocco Politics

A set of constitutional reforms has been proposed by the King, who makes a weekly appearance on television.

The objective of the Government is to develop industry so that it educated youth can find productive employment.

The full Board of KAS met with the Minister in April.

Concluding Comments

We can expect assays from the slow turn-around soon and by the end of the month, the first results from the faster turn-around

We should expect to see a rapid flow of drill results as results that have taken 3 months now being to flow, while we should also see, by the end of May, the first results from the short turn-around.

A third rig is on site and a 4th is hoped to arrive in September to speed up the newsflow and also work on the open-cut potential, which has been deferred while the feasibility work is progressed.

As these over-lap, we can expect a much greater pace of newsflow.

The pre-feasibility study is planned by year end. The Bankable Feasibility Study is expected to take about 8 more months, so we expect this at the end of 2012.

As indicated by Figure 3, some parts of the ore-body look as though they will be amenable to bulk under-ground mining methods, and the ground is highly competent, so mining costs could be lower than suggested by the scoping study.

Intersuisse affirms a BUY rating on KAS

Intersuisse re-affirms a BUY rating on Kasbah Resources.

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The analyst has an economic interest in KAS shares.

Prepared by Pieter Bruinstroop

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