

# Kasbah Resources (KAS)

## Tin in Morocco

Good drill results, open pittable mineralisation

### Recommendation

**BUY**

### Price

**32.5c**

### Indicative Valuation

**45c**

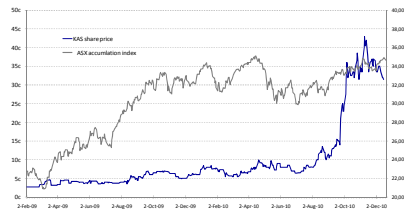
### ASX Sector

**Metals & Mining**

- Intersuisse's favoured metal is tin.
- Intersuisse's indicative valuation of KAS is 45c a KAS share. This is based on the information released by KAS from their scoping study of the underground resources at Achmmach, and assumes a tin price of \$26,000/t.
- KAS announced drill results for potentially open pittable mineralisation, supporting Intersuisse's view that there is value in these resources, though we can only speculate how much value.

### Snapshot

Last Price	\$0.325
Market Cap.	\$116 million
52 week high	43.0c
52 week low	5.5c
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](http://www.kasbahresources.com)

Analyst: Pieter Bruinstroop :

### Tin : A favoured commodity

Intersuisse favours tin as a commodity. Tin's main use is in electronics, and the demand is not price sensitive. Also, tin supply is constrained as production in Indonesia is falling and China is now importing.

Tin prices have been strong, and in contrast to other metals, there is very little speculative demand for tin, as it is a small market.

### Resources

KAS has reported assays from recent surface drilling, from the first of three surface geochemical anomalies.

Reported grades are very good and may support the view that an open cut mine can be developed from these resources, and that the underground resources can be accessed by development from the open cut.

When KAS receives the balance of the assays, it will develop a geological model, which will then be drill tested.

Intersuisse expects the remaining assays from the shallow drilling to be reported during February

### 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.

The open pittable potential and the higher tin price add further value to Intersuisse's valuation.

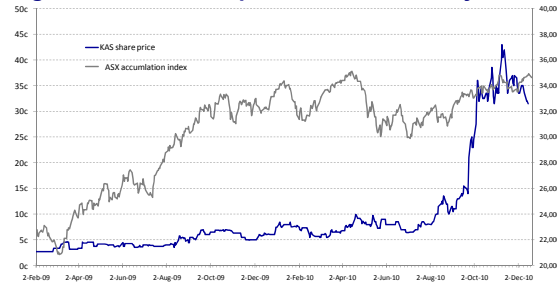
We retain our Buy recommendation on KAS.

**The KAS share price**

Figure 1 shows that, after a long flat period, the KAS share price was re-rated, from 11.5c on 2 September 2010, when Intersuisse initiated research on KAS, to a peak of 42c on 12 November 2010.

The KAS share price rose strongly after Intersuisse initiated research on KAS

**Figure 1 : KAS share price, over the last 2 years**

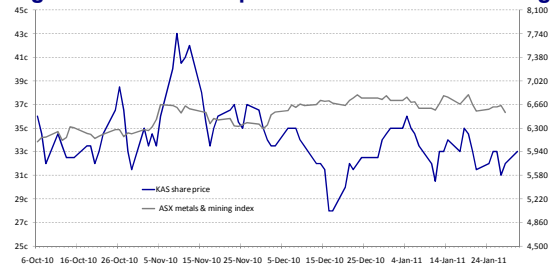


Source : IRESS, Intersuisse

Figure 2 shows that over the last 4 months the KAS share price has been soft and has lagged the market.

The KAS share price has been soft since that strong rise in price

**Figure 2 : KAS share price v. ASX metals & mining index**

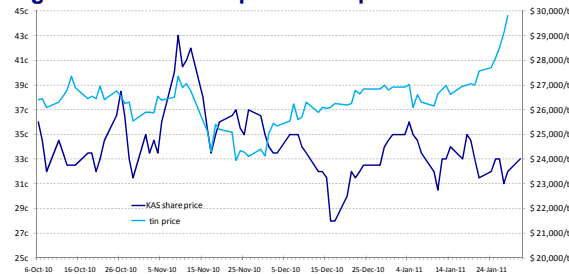


Source : IRESS, Intersuisse

Figure 3 shows that while the tin price has been strong recently, the KAS share price has lagged.

The KAS share price has lagged the rising tin price

**Figure 3 : KAS share price v. tin price**

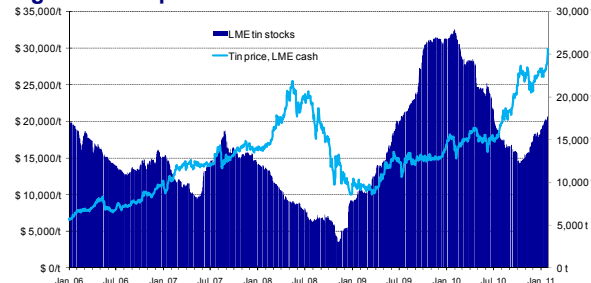


Source : IRESS, Intersuisse

Figure 4 shows that LME tin stocks have increased since mid October 2010, but that tin prices have increased also.

Tin inventories and tin prices have recently been rising together, but this time of year sees a seasonal lull in demand and rise in supply.

**Figure 4 : Tin price v. LME tin stocks**



Source : IRESS, Intersuisse

Intersuisse is relaxed with this as a year end stock increase is a seasonal phenomenon, partly due to the Indonesian wet season, while the tin price is looking forward to a shortage for 2011 of about 15kt (consensus) to 20kt (ITRI).

The recent analysis shows that consumption in 2010 was 360kt, compared with 340kt expected in August. ITRI is forecasting 370kt for 2011, while no major change in supply is expected.

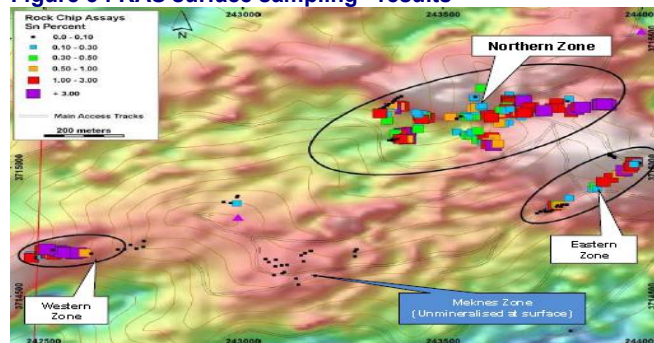
The expected excess of demand over supply for 2011 is about the total of LME stocks

**KAS's drilling at Achmmach**

On 27 January 2011, KAS announced that it had drilled a total of 1,981 metres in 18 shallow holes. The announcement covered the assay results from 10 of these 18 holes. KAS expects to receive the assay results of the other 8 holes before the end of February.

Figure 5 shows 3 surface outcrop of high grade tin zones identified from rock chip sampling. The sampling showed some very promising results.

Figure 5 : KAS surface sampling - results

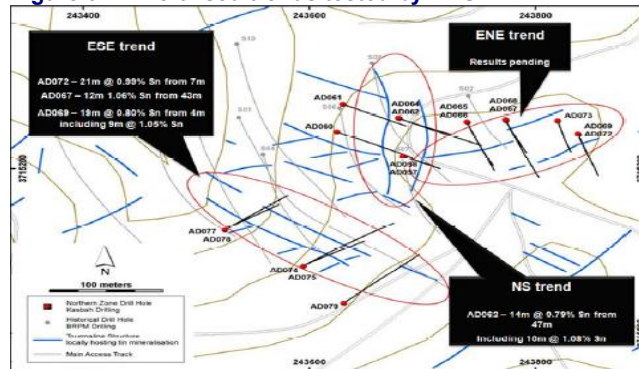


KAS had good results from surface sampling

Source : Kasbah Resources, 27 January 2011

Figure 6 shows three trends tested by this recent drilling. The blue lines are tourmaline outcrops, some of which host cassiterite and some of which are barren.

Figure 6 : Mineralised trends tested by KAS



KAS has drilled some out-cropping structures

Source : Kasbah Resources, 27 January 2011

Assay results have been received for the drill holes in the E-NE trend and also the N-S trend, while assays are awaited for the drilling of the E-SE trend. Figure 7 shows some of the better results received from the holes for which assays have been received.

The key points from Figure 7 are :

- The grade of the intercepts is very good; as an indication, a grade of about 0.25% Sn would be economically viable, so the issue is continuity; and
- The mineralisation is shallow (average hole length 110m and the angle means depth of about 80m) and some structures outcrop at surface.

The assays from the shallow drilling are very encouraging

Figure 7 : Assay results from shallow drilling at Achmmach

East - North-East trend						
AD 066	5 m	@	1.08%	Sn	from	31 m
	7 m	@	0.41%	Sn	from	41 m
AD 067	12 m	@	1.06%	Sn	from	43 m
AD 068	7 m	@	0.61%	Sn	from	23 m
AD 069	19 m	@	0.80%	Sn	from	4 m
AD 072	21 m	@	0.99%	Sn	from	7 m
North-South trend						
AD 058	4 m	@	0.50%	Sn	from	66 m
AD 061	6 m	@	0.42%	Sn	from	50 m
AD 062	14 m	@	0.79%	Sn	from	47 m

Source : KAS 27 January 2011 announcement, Intersuisse

**Next Steps**

KAS is bringing a third drill rig onto site to get more work done on both underground and shallow resources

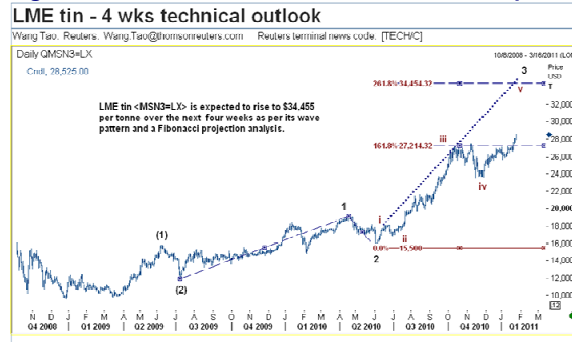
With the funds raised in November, KAS is bringing a third drilling rig onto the site. The 2 rigs that drilled the shallow mineralisation are now drilling under-ground targets, as will the third rig when it arrives.

When KAS receives the final assay results, it will develop a geological model. One or two rigs will be deployed to test this model, while the third continues underground resource definition and extension drilling.

**Conclusions**

Tin is Intersuisse’s favoured metal; both short term, as shown in Figure 8, and over the medium to longer term.

Figure 8 : Reuters’ 4 week technical view of tin price



<http://graphics.thomsonreuters.com/WT/20112601174601.jpg>

Intersuisse confirms our BUY recommendation on KAS

KAS has completed a scoping study on its underground tin resources and is working to define its open pit potential.

Intersuisse’s indicative valuation, of 45c a KAS share, is risk weighted and assumes a tin price of \$26,000/t, compared with Friday’s close of \$29,800/t, with projected future deficits suggesting even higher prices.

Intersuisse’s modelling assumes an investment decision on the under-ground by the end of 2011 and first shipments of product in 2013 Q3. The investigation of the open cut potential may delay this timetable slightly.

Intersuisse confirms its BUY recommendation on KAS

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*The analyst has an economic interest in KAS shares*

*Prepared by Pieter Bruinstroop*

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