

Kasbah Resources (KAS)

King announces referendum

First constitutional monarchy in Arab world

Recommendation

BUY

Price

17.0c

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 fallen 26% over the last week. The only news item over that time has been proposed constitutional reforms to Morocco, announced on 17 June, to be put to a referendum on 1 June.
- Intersuisse is expecting a better newsflow on drill results.

Snapshot

Last Price	\$0.17
Market Cap.	\$62 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

The KAS share price has fallen 26% in the last week, without any announcements by the company. The tin price has been roughly flat over this time.

Intersuisse attributes this softness in the KAS share price to 3 factors

- The lack of newsflow when we have been expecting further news on drilling since the last announcement nearly 5 weeks ago, on 18 May;
- General risk aversion in equity markets, which will impact particularly on miners developing a resource; and
- Nervousness over the political situation in Morocco, as the King announced on Friday that he would put to a referendum, to be held on 1 July, a new constitution for the country that would make Morocco the first Arab constitutional monarchy.

New Constitution for Morocco

The announcement fulfils commitments made by King Mohammad IV in February to demonstrators.

There are many fine details still to be revealed, but broadly the new constitution puts political power in the hands of parliament, creates an independent judiciary, gives protection to minorities and gives the power to suspend the Parliament to the President.

Investment View

Intersuisse believes that the political changes are very positive.

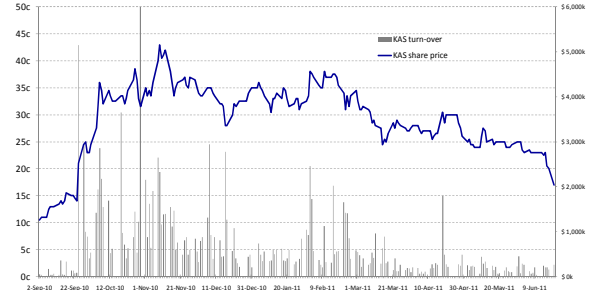
Intersuisse has an indicative valuation of KAS of 45c per share, based on the reported mining inventory from the underground resources.

Intersuisse retains a Buy recommendation on KAS.

The KAS share price

Figure 1 shows that, the KAS share price has been soft, on the back of very low trading volume.

Figure 1 : KAS share price



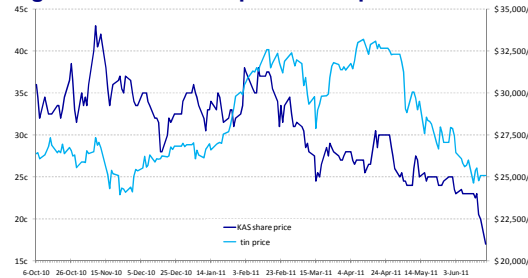
Source : IRESS, Intersuisse

The KAS share price has fallen by 26% over the last week

Figure 2 shows that the tin price is now bouncing around \$25,000/t, so we do not attribute the fall in the KAS share price to the tin price.

Intersuisse's indicative valuation, of 45c, assumes a tin price of \$26,000/t.

Figure 2 : KAS share price v. tin price



Source : IRESS, Intersuisse

Intersuisse sees no fundamental reason for the price fall, from what we believed was a low price.

KAS's last ASX announcement was on 18 May. This was covered in Intersuisse's note, pointing out

- Some very high grade intercepts;
- Many very large intercepts, suggesting lower mining costs; and
- A significant exploration target, based on extensions to drilling.

Recent market conditions have not helped KAS,

Constitutional change

On Friday, 17 June, King Mohammed IV of Morocco announced that he would put to a referendum, to be held on 1 July, a revised constitution. Figure 3 is a local newspaper article on this.

Figure 3 : media article on proposed changes in Morocco

**King gives up powers
Morocco stuns Arabs**

MOROCCAN King Mohammed VI has surprised the Arab world by curbing his wide political powers in proposed constitutional reforms.

The king has pledged to build a constitutional monarchy with a democratic parliament.

The proposals would be put to a referendum on July 1, the king said yesterday. They devolve many of his powers to the prime minister and Parliament.

The proposals come in the wake of nationwide pro-reform demonstrations that started in February, inspired by other popular uprisings in the Arab world.

The 47-year-old monarch, who in 1999 took over the Arab world's

longest-serving dynasty, holds virtually all power in the Muslim North African country and is also its religious authority as the Commander of the Faithful.

In future the head of government should come "from the ranks of the political party which comes out top in parliamentary elections", the king said in a televised address.

It would mean a "government emerging through direct universal suffrage", he said.

The prime minister, now to be called the "president of the government", will have the "power to dissolve parliament", previously the monarch's prerogative.

King Mohammed VI

also pledged an independent judiciary and said the proposals would "consolidate the pillars of a constitutional monarchy".

The king has until now headed the council that has appointed the country's judges.

Under the proposals, drawn up by a reform panel appointed by Mohammed VI in March, the prime minister will be able to appoint government officials, taking over an authority previously held only by the king.

And the reference to the king in the constitution as "sacred" will be replaced by the expression: "The integrity of the person of the king should not be violated."

Source : Sunday Herald Sun, 19 June 2011, p. 40

Intersuisse believes that the proposed constitutional changes in Morocco reduce the political risk, from a low level

Following are further references to more detailed information available from various web sources :

http://www.washingtonpost.com/blogs/right-turn/post/a-king-a-speech-and-a-new-constitution-for-morocco/2011/03/29/AGSximcH_blog.html

http://www.brookings.edu/opinions/2011/0620_morocco_pollack.aspx

<http://www.bbc.co.uk/news/world-africa-13816974>

<http://www.middle-east-online.com/english/?id=46795>

http://news.yahoo.com/s/afp/20110617/wl_africa_afp/morocccopoliticsunrest

The major social issue in Morocco is unemployment, so job creating industries are strongly desired

These constitutional reforms were proposed by the King on his 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

Intersuisse had expected announcements by KAS on drilling results. We note a long history of promised improved turn around in assays, but we have yet to see the evidence. Our note of 16 May outlined the reasons we expected to see more results more quickly.

Intersuisse retains a BUY on KAS

Despite this, Intersuisse is bullish on tin and we re-affirm a BUY rating on Kasbah Resources.

Contacts List

Steve Morris	03 9618 8231	Managing Director	Private Clients		
Research			Melbourne		
Cameron Bell	03 9618 8283	Analyst	Mark Chartres	03 9618 8240	Head of Wealth Management
Pieter Bruinstroop	03 9618 8275	Mining Analyst	Peter Addison	03 9618 8226	Associate Director
Nick Wirubov	03 9618 8251	Oil & Gas Analyst	Craig Baillie	03 9618 8279	Client Adviser
			Howard Elton	03 9618 8233	Director
			Amanda Fanning	03 9618 8247	Client Adviser
			Steven Goossens	03 9618 8215	ITS Operator
Corporate Finance – PhillipCapital Australia			Graham Johnstone	03 9618 8246	Client Adviser
Michael Beer	03 9618 8222	Resources	Ben Ikin	03 9618 8231	Client Adviser
Jonathan Buckley	03 9618 8244	Managing Director	Darren Levy	03 9618 8252	Associate Director
Andrea Coad	03 9618 8256	Administrator	Sue McDonald	03 9618 8211	Senior Client Adviser
Sackville Kempton	03 9618 8258	Director	Luke Robinson	03 9618 8210	Senior Client Adviser
Michael Laletas	03 9618 8234	Director	Suzie Shipton	03 9618 8243	Manager Client Services
David Pryles	03 9618 8269	Manager	John Taylor	03 9618 8219	Client Adviser
Leith Wale	03 9618 8253	Energy	Callan Trew	03 9618 8255	Client Adviser
			Henry Vo	03 9618 8250	Client Adviser
			Prasanna Wickramatunge	03 9618 8270	Client Adviser
			Mark Wiseman	03 9618 8228	Director
			Raymond Wong	03 9618 8225	Client Adviser
Institutional Dealing			Sydney		
Will Cleland	03 9618 8223	Associate Director	Andrew Sekely	02 9994 5508	Director
Colin Eichenberger	03 9618 8214	Associate Director	Joe Durak	02 9994 5513	Senior Client Adviser
Hulya Ozmen	03 9618 8232	Desk Assistant	Patricia Harrison	02 9994 5505	Senior Client Adviser
			Ryan Hoffman	02 9994 5512	Client Adviser
			Greg Lidicky	02 9994 5522	Client Adviser
			Nick Madden	02 9994 5518	Client Adviser
			Philip Rhead	02 9994 5509	Senior Client Adviser
			Pam Smith	02 9994 5510	Client Adviser
			William Tan	02 9994 5511	Client Adviser
			Oksana Wainwright	02 9994 5500	Administrator

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The analyst has an economic interest in KAS shares.

Prepared by Pieter Bruinstroop

INTERSUISSE LIMITED ABN 14 002 918 247, AFSL 246827		Market Participant of the ASX Group	
Melbourne Office:		Sydney Office:	
Level 37, 530 Collins Street, Melbourne, Vic, Australia 3000		Level 7, 5 Elizabeth Street, Sydney, NSW, Australia 2000	
Telephone:	(+613) 9629 8288	Telephone:	(+612) 9233 2100
Facsimile:	(+613) 9629 8882	Facsimile:	(+612) 9233 2117
Email:	suisse@intersuisse.com.au	Email:	sydney@intersuisse.com.au
Internet: http://www.intersuisse.com.au			