

Overview of IFC's scope of Review

IFC's review of this project included: two field visits in January 2010 by the project team to assess the Company's exploration operations; interviews with the following:

- (i) the Company's management and key technical staff,
- (ii) the regional Wali,
- (iii) the Prefect of Meknes,
- (iv) the "Centre Regional D'Investissement",
- (v) the local mining and environmental authority the "Office National Des Hydrocarbures et Mines (ONHYM)", and
- (vi) the "Departement de l'Environnement"; power point presentation to IFC of the Company's operation, exploration point, and site geology; and desk review of health, safety, human resource and corporate governance information as well as baseline environmental impact study covering water quality and sediments of aquatic systems within the Achmmach project submitted by Kasbah Resources' ("the Company") was conducted.

Project Description

Kasbah Resources Limited (The Company) is an Australian Junior mining company listed in the ASX with headquarters in Perth, Australia and focused on the exploration and mining activities in Morocco. Its assets include the Achmmach tin project (the Project); El Karit tin projects in Northern Morocco; and the Tamlalt gold project in Eastern Morocco. The project is located in Achmmach which is approximately 140km SE of Rabat and shows potential for underground mining as well as limited opportunity for open cast tin mining. The estimation provided by Kasbah Resources Limited in their annual report is a resource of 6 million tonnes at 0.9% Sn grade containing 52,000 tonnes of metal and it is compliant with Joint Ore Reserves Committee Code (JORC Code). The Company is seeking equity investment from IFC to partly fund a bankable feasibility study, further drilling activities as it transitions from exploration to development stage.

The project is located in an area that is not very populated; a population count during the informal well survey in 2008 estimated a total of 31 people within 0-500m from the site and 15 people between 500-1000m. The nearest village is located approximately 12 km from the site and has a school that is used mainly by the commune of El Hajeb. The population does not have access to municipal water hence it relies on wells to satisfy water needs, furthermore, the area is not yet electrified, although we understand that there was a program to provide each house with one solar panel for basic energy needs. The main economic activities are agriculture as well as herding (sheep, goat, and cows). Mining is not new to the area, El Hammam fluorite mine operated by Société Anonyme d'Entreprises Minières (SAMINE) located has been operating for over 30 years.

Identified Applicable Performance Standards

While all Performance Standards are applicable to this investment, IFC's environmental and social due diligence indicates that the investment will have impacts which must be managed in a manner consistent with the following Performance Standards:

PS1 Social and Environmental Assessment and Management Systems; -

PS2 Labor and Working Conditions;

PS3 Pollution Prevention and Abatement; and

PS4 Community, Health, Safety and Security.

The project is located in an area with low population density; in addition physical or economic displacement is not anticipated therefore PS5 will not be applicable. The project's footprint is expected to have limited impact in a forest which has already a disturbed landscape with agricultural activities and also mining, as such PS6 is not applicable. There are no identified indigenous people in the area and therefore PS7 is not applicable. The departments of mining as well as the forestry have not identified the area as a cultural heritage site; as such PS8 is not applicable.

E & S Categorisation Rationale

The Project is categorised as B because the investment only consists of exploration activities with environmental and social (E&S) risks that are readily manageable by the company through implementation of mitigation measures and therefore has limited E&S impacts that are mainly reversible and site specific. The key E&S risks include (i) management of water resources, (ii) control of erosion and rehabilitation of temporary roads; (iii) management and mitigation of transport risks including public safety; (iv) solid and liquid waste management; (v) occupational health and safety implementation; (vi) management of labor, working and living conditions at the exploration camp; (vii) engaging and consulting with the community whilst managing their expectation as well as the local authorities' with regards to company's role in economic and social development.

Any IFC investment in a future mining development would be assessed as a new project and its categorization would be determined after due diligence has been undertaken.

Description of key Environmental and Social Issues and Mitigation

The Company has presented extensive information on its current practices and policies that seek to address environmental and social risks and impacts to ensure that the proposed project currently complies with or will upon implementation of specific additional agreed measures, comply with host country laws and regulations and the IFC Performance Standards on Social and Environment Sustainability and Environmental, Health and Safety Guidelines. Findings of the IFC's review and conclusions are summarised in the paragraphs below. Additional actions to be undertaken by the Company are listed in the attached Environmental and Social Action Plan (ESAP).

PS1: SOCIAL AND ENVIRONMENTAL ASSESSMENT & MANAGEMENT SYSTEMS

Social and Environmental Assessment IFC's financing is for exploration and feasibility studies activities which have minimal environmental and social impacts. Prior to starting exploration activities, the Company commissioned Outback Ecology, an Australian based consultancy, to undertake a baseline environmental assessment focused on water and sediment quality which was completed in July 2007. Furthermore, the Company undertook a well mapping exercise within a five mile radius from the Project to establish baseline conditions; data collected included well coordinates, size, and usage (how many people are supported by the well).

Should the project move toward the development of mines, IFC requires that the environmental and social impact assessment include a study of the availability and alternative sources of supply of water for the Company's operation as well as the cumulative impacts of mining operations (Achmmach and SAMINE) on the commune's water supply as its main activity consists of agriculture.

Management Systems and Organization

The Company is committed to environmental, social, as well as occupational health and safety matters, and IFC performance standard. It has agreed to complete and implement a Health, Safety, Environment and Community document for the exploration stage, feasibility studies and potential future mine development; the document will be developed with IFC assistance. The Company has already in place an environmental policy, a fitness for work policy, and an injury management policy and reporting framework. Furthermore, the Company has designated a person who is responsible for Health, Safety and Environment matters amongst his other duties; he reports directly to the Managing Director.

Training

Most personnel attended a two day course in first aid taught by the Meknes Red Cross and were delivered a certificate upon course completion. The Company provides a health and safety induction training to staff prior to commencement of work and requires that contractors undertake same with its workforce. All employees and contractors are made aware of the Company's fitness policy, and emergency response system.

Monitoring and Reporting

The Company monitors incidents and near misses using an incident reporting form. Additional monitoring includes that of the well on the premises to verify its recharge capability. The well was installed by the Company's predecessor ONHYM and it is currently used by three families in the surrounding area. The purpose of the monitoring is to evaluate if the Company's operation has an impact on the water level. Reporting of these matters and corrective action recommendation are communicated to the Managing Director.

PS2: LABOR AND WORKING CONDITIONS

Human Resources Policy

The Company currently employs 17 people of which 8 are indirect employees contracted through the Moroccan subsidiary of REFLEX. Out of the direct employees 3 are expatriates that live on the exploration camp and two are based in Australia. The Company applies Moroccan employment laws for local recruits and Australian employment for the expatriates. These contracts coupled with the rights under the relevant employment law address terms of references; salary; contribution to social security; working hours; additional corporate insurance provided by the Company; vacation; promotion; disciplinary procedure; and rights to collective bargaining. Satisfactory accommodation (rooms, showers, toilets, TV room and kitchen) and food prepared by a Moroccan cook is provided to workers that are not from the surrounding areas. The work inspectorate undertakes an audit every quarter to ensure employment taxes have been paid.

The Company has an equal employment opportunity policy. The Company has a grievance mechanism that consists of first expressing grievance to the supervisor who either resolves the issue or escalates it to the Managing Director. As the Company is still small, sometimes employees will express their issues directly to the Managing Director. The Company is not anticipating any retrenchment, on the contrary if the project moves to mine development the Company will hire approximately an additional one hundred (100) workers.

In order to provide employees with a more comprehensive human resources policy and procedures, the Company will aggregate all its policies, the national employment law in vigor, the code of conduct, and grievance mechanism into one human resource document that will be made available to each employee.

Occupational Health and Safety

Kasbah Resources intends to implement best practices in health and safety, it has already developed an incident reporting form and it has been tracking incidents and near misses for the past year. No significant incident has been recorded. As indicated, employees and contractors are required to undertake a health and safety induction prior to commencement of works. First aid training has been undertaken by most staff. Each vehicle is equipped with a first aid kit. The Company provides relevant Personal Protective Equipments (PPE) such as steel toe shoes, gloves, dust mask, rubber gloves, ear plugs, goggles and flash lights. During the site visit, IFC observed that adequate PPE was worn by staff and there were signage on work site requiring wear of PPE, however, the health and safety officer expressed that it's challenging and required constant reinforcement. The greatest risk identified by the safety officer is vehicle turnover. Preventive actions such as putting in place berms on corner of roads; drainage, regularly maintenance of vehicles, adjusting speed limits depending on road quality, and implementation a vehicle policy have been put in place.

An emergency response system has been developed and tested. The Company undertook its due diligence on three clinics and chose clinic SAISS located an hour from the site as a partner. There is a set meeting point A which is a half an hour from the site, and if the Company is there before the ambulance, the Company will drive toward meeting point B until it meets the ambulance, in the case the ambulance is not in meeting point B the Company will drive to the clinic. The route to the clinic is laminated and posted on every vehicle. The Company has two stretchers available, and several fire extinguishers.

PS3: POLLUTION PREVENTION AND ABATEMENT

Air Quality

The Company graveled portion of the road from the mine site to the school for dust suppression purposes. Other sources of small air emissions include jensets, the small fleet of vehicles and limited amount of incineration.

Water Usage

Municipal water is not available at the site or the commune. Water is pumped from the well for shower, toilets, and dishwashing use; and to a holding tank, followed with treatment through a solar powered filtration unit to obtain potable water. Total water usage on an annual basis amount to 550,000 liters. The Company optimises water usage for drilling operation by drawing waste water from SAMINE operation and reinjecting satisfactory quality water into the local creek system.

Energy Usage

The area is not yet electrified. Fuel stored in above ground tanks is used to power the jensets, for vehicles and drilling machines. Total annual consumption is approximately 147, 000 liters. There are 120 liters drum of fuel at any one time on the site.

Solid and Liquid Waste

Municipal waste collection system is not available. Kasbah Resources Limited generates a minimal amount of waste which is segregated through a recycling initiative as follows: cans, food, burnable and non- burnable. The inert waste is land filled on the ridge above the camp and covered with soil, and the burnable are incinerated. Waste oil from jensets, tires, and batteries are sold to a recycler in Agourai. Liquid wastes mainly consist of sewage effluent from exploration camp, drilling fluid (which is drained in a lined sump – it's not contaminated), storm water runoff. Septic tanks are disposed off through a big leach field system. There are plans to have a full fledged septic system as the staff number becomes more substantial.

Noise

Currently noise emanates from drilling operations and vehicular movements. It is not significant to disturb the surrounding community. Emergency Preparedness and Response Kasbah Resources Limited has developed and emergency preparedness and response for occupational safety but will need to develop one for environmental issues as part of the formulation of its HSEC policy.

PS4: COMMUNITY HEALTH SAFETY AND SECURITY

The increase traffic due to exploration activities poses a risk to the community in terms of accidents including domestic animals. As of January no car accidents were reported. The Company has taken several measures to ensure community health and safety such as gravelling some portion of the road from the mine to the nearest school to reduce the dust; implementing a vehicular policy which specifies the speed limit to be adopted; adopting a no drinking policy, and requiring that drivers have valid driving licenses.

There is no security personnel requirement on this project

Client's Community Engagement

With the exception of a few adhoc interactions, For instance, the Company has agreed to help the local school fix the broken water pump. Consultation in Morocco is undertaken through local authorities (Wilaya, Prefect, and Commune leaders) and not directly with the community. The Company is required to develop a stakeholder engagement plan which will help the Company better work with the local authorities to ensure that the affected community is informed as to potential project impacts and implementation schedule. As part of IFC disclosure requirement, the Company will advertise the project in the local newspaper informing readers that the ESRS is available in Arabic and French at the local Wilaya, the exploration camp, and on the Company website.

Local Access of Project Documentation

Environmental and Social documentation will be made available at the following location:

Morocco Office:

Kasbah Gold SARL

Residence Youssef Apt#7

Ave Al Atlas AGDAL Rabat

Maroc 10080

Website: www.kasbahresources.com

Exploration Camp

Kasbah Resources Field Camp

via Ville d'Agourai

Wilaya of Meknes

Place Abdelazaz Ben Driss V.N. Meknes

The following Documents will be released for public disclosure as approved by Client in Clearance Letter dated 15 March 2010:

Achmmach Baseline ESIA Report.pdf (Baseline Environmental Impact Study Covering Water Quality and Sediments of Aquatic Systems)

ESAP-Kasbah 3-4-10.pdf (Environmental and Social Action Plan)