KASBAH RESOURCES

Company Insight
the intelligent market update

Kasbah Resources Limited   Date of Lodgement: 2/10/12

Title: "Company Insight –The Achmmach Tin Project"

Highlights

- **Outlines the strategic importance of the Achmmach Tin Project**
- **Puts in perspective the current tin price relative to Achmmach's development timeline**
- **Discusses structural influences on tin market and supply issues**
- **Explains why Kasbah's projects are better-positioned than others**
- **Achmmach's completion should dovetail with the significant strength in tin price forecast to occur as the tin shortage takes effect**
- **Highlights Kasbah's strong cash position and strategic support for the Company's development plans**

Record of interview:

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What factors have driven Kasbah's development strategy for the Achmmach Tin Project?

Managing Director, Wayne Bramwell
Achmmach is a rare and very strategic tin asset. The quality and size of this hard rock tin resource has been the driver of our development strategy to date and Achmmach underpins Kasbah's objective to build a tin company.

We see opportunities emerging in the medium-to-longer-term as significant structural changes occurring within the tin sector continue to put pressure on tin supply. As such Kasbah is positioning Achmmach and its surrounding prospects to take advantage of the race to tie up secure, long term tin supply.

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What are the reasons why Kasbah thinks the medium-to-longer-term tin price story will be different to current spot conditions?

Wayne Bramwell
Current tin spot prices are a reflection of current global macro-economic uncertainty and weak solder demand from the electronics industry. However, the current demand conditions will change as world markets stabilise and our everyday reliance on electronic goods - that use tin solder - continues to grow.

The real driver of future tin price is supply, for the following reasons.

First, historically, there has been a lack of investment in tin exploration, which has made supply today very fragile. Many of the existing mines are mature, grades are falling and hence production costs are rising. There are few, sustainable tin projects in development.

Secondly, there is a shift away from shallow, alluvial tin sources to deep sea dredging and hard rock mining. Mining the sea floor for tin is a high cost and seasonal event as is evidenced by the world's second-largest tin producer, PT Timah ("Timah"). Timah's recently reported production cost of around US$22,000 per tonne of delivered tin is very high and reflects their "go offshore, go deeper" corporate strategy. Timah is targeting up to 65% of their total tin production from higher-cost offshore dredging operations and it is clear that their production cost will continue to rise as they become more reliant on the seafloor as their ore source.

Thirdly, current equity market conditions mean that raising equity for expansion, development or exploration is becoming more difficult. These conditions in turn are having an impact on debt providers, who are becoming more risk-averse and are raising the bar for project finance. These financing challenges are exacerbating longer-term tin supply weakness because new projects are finding it more difficult to raise finance for exploration or development.

Today's tin price hurts a large percentage of our competitors in the industry - when tin drops under US$20,000 per tonne, many participants begin to switch off production. In these circumstances, a price correction is inevitable.

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But won't that be just a short-term outcome? Why won't displaced producers return to the market in due course, limiting the upside in prices?

Wayne Bramwell
The structural shift towards hard rock mining is underway and it is difficult to see it being reversed.

First, some tin producers will not survive a prolonged period of prices below US$20,000/tonne. If current conditions persist, many high-cost producers will be removed from the market if they can't sustain a period of lower price.

Secondly, alluvial producers may respond to price spikes but the impact of this "swing" production is diminishing. This "opportunistic" approach does not provide security of supply to larger upstream end-users. Large corporate and industrial end-users demand long-term and secure tin supply and this requirement pushes these end-users towards sustainable, industrial scale, hard rock mines - like those being developed by Kasbah.

Thirdly, many prospective tin miners will struggle to gain finance to explore, or to develop operations, so tight equity markets will shake-out or consolidate a number of marginal operating projects and explorers - who just can't raise the capital to keep going.

In a nutshell, the tin price has to go above current levels in order to support the changing cost structure across the industry.

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Is this tin market assessment just Kasbah's position? Do others share your macro view, and if so, why?

Wayne Bramwell
There is widespread and credible third-party endorsement of this view.

Official government positions in the US, European Union, China, Korea and Japan unanimously express concern about medium-to-longer-term tin supply. Tin is regarded as an important strategic commodity in each of these countries.

Corporate activity in the tin sector is also a strong indicator of supply concerns. Toyota Tsusho’s recent entry into the Achmmach Tin Project underpins traders’ and end-users’ concerns about supply. Toyota Tsusho trades around 8% of the world’s tin market and over 50% of the Japanese tin market. Chinese and Korean tin end-users have also begun to take stakes in junior explorers and miners and this activity reflects increasing concern about long-term tin supply in important upstream industries such as automotives and electronics.

When upstream customers are starting to position themselves in exploration companies and projects offering long-term supplies of tin, it signals strongly that structural change is happening in the tin industry. We believe the growing involvement of these large corporates in tin supply will be a positive for companies like Kasbah.

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So, what makes you think Kasbah’s projects are better-positioned than others?

Wayne Bramwell
There are a number of reasons.

Firstly our corporate strategy is clear. Tin is where we want to be. Becoming a tin producer is the objective of the Company this is well supported by our key shareholders.

Secondly, the Achmmach Tin Project has scale. We have currently defined 135,000 tonnes of contained tin and the project is forecast to produce over 6,000 tpa of tin in concentrate once in production. This will make it a project of significance in the tin sector.

Thirdly, Kasbah continues to reduce the development risk of our assets. Kasbah is currently the 100% owner of Achmmach and with Toyota Tsusho earning an interest of 20%, a large component of the development risk is removed. With respect to growth, Kasbah has recently acquired 100% of a second tin project nearby at Bou El Jaj for very reasonable terms. This strategic ‘add-on’ has the potential to provide additional ore to Achmmach and if it delivers what we think it can, it offers additional potential to further extend project life, and improve the overall Achmmach project economics.

Fourthly, our cash position - as of 31 August 2012 - was $27.4 million. In this market ‘cash is king’ and if you don’t have it, you can’t continue to advance your projects. Kasbah has the cash to progress its development.

Lastly, it is important to note that under our development timetable Achmmach should begin production in 2014/15, a time when tin supply will be very tight. The International Tin Research Institute (ITRI) is forecasting tin to well above US$35,000 / tonne in this period.

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But Kasbah's cash can't develop Achmmach on its own. What gives you the confidence that capital will be forthcoming to bring Achmmach to fruition?

Wayne Bramwell
Good projects can always source funding and even at this stage, we are developing options with respect to project financing.

Obviously we'll have to wait until the final Definitive Feasibility Study is complete - but our confidence that we'll be able to finance the final development stage is based on a number of factors.

The World Bank's IFC is currently our largest shareholder and it took an equity position in Kasbah in 2010. One of its objectives is to provide low-cost debt finance to projects such as Achmmach, and they have done this many times throughout the world.

We also have shareholders who need tin. For example Thaisarco (Thailand Smelting and Refining Company) is the world's fifth-largest tin smelter. This group has been a shareholder in Kasbah since 2006 and is hungry for concentrate to support its Phuket smelter. Traxys and Transamine are also positioned on the register, and are both tin traders in their own right. Each of these parties has the ability to provide development funding in return for offtake.

Lastly, Toyota Tsusho has the ability to bring JOGMEC, the Japanese export credit agency, to the table for debt. Toyota Tsusho did this with JOGMEC recently, for an Australian company with a lithium project in Argentina, and we have watched this with interest.

So you can see, through our existing shareholders and our strategic partner, we are developing a strong degree of "optionality" with respect to potential sources of project finance.

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Overall, therefore, how would you summarise Kasbah's position and future?

Wayne Bramwell
In summary, Kasbah has gained some real momentum over the last 12 months. The Company's strategy is clear and the milestones to production are well defined. We've been systematically advancing Achmmach through the early phases of evaluation and we continue to grow the resource.

Our share register is structured with a mix of potential debt providers and includes parties who need tin concentrates. Many are serious tin players and they have demonstrated they are prepared to support Kasbah in developing Achmmach through direct investment in the company or the project.

In the current equity market, other companies with less-advanced projects will face difficulty in raising necessary equity. Kasbah is not in that position and our existing shareholders have shown their support of the Company's strategy. Our strategic partner in Achmmach, Toyota Tsusho, also removes some of the development risk and can bring another debt option to the table.

In a tin market that is undergoing major structural changes, the industry's move away from small-scale, non-sustainable operations to larger-scale hard-rock mines is logical and inevitable. Kasbah will systematically advance Achmmach through the Definitive Feasibility Study stage over the next 12 months.

We think Achmmach's completion should dovetail neatly with the significant tin price strength that is forecast to occur when the supply shortage takes full effect.

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Thank you, Wayne.

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Qualifying Statement

This release may include forward-looking statements. These forward-looking statements are based on Kasbah's expectations and beliefs concerning future events. Forward looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Kasbah, which could cause actual results to differ materially from such statements. Kasbah makes no undertaking to subsequently update or revise the forward-looking statements made in this release, to reflect the circumstances or events after the date of that release.

Mineral Resource Estimate - Achmmach Tin Project (March 2012 - @ 0.5% Sn cut off)			
Category	**M Tonnes**	**Sn %**	**Contained Tin (k tonnes)**
Indicated	5.3	0.8	42
Inferred	9.3	1.0	93
Total	**14.6**	**0.9**	**135**

Competent Persons Statements

The information in this report is based on information compiled by Mr Chris Bolger, a Member of the Australasian Institute of Mining and Metallurgy. Mr Bolger is a full-time employee of Kasbah Resources Limited and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a 'Competent Person' as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bolger consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information in this report which relates to Mineral Resources is based on information compiled by Michael V. McKeown who is a Fellow of the Australasian Institute of Mining and Metallurgy. Michael McKeown is employed by Mining One Pty Ltd and he has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Michael McKeown consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Messrs Bolger and McKeown consent to the inclusion in this report of the matters based on information provided by them and in the form and context in which it appears.