KASBAH
Resources
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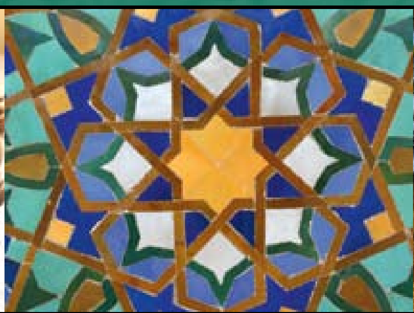

ANNUAL REPORT

2009

Contents

Corporate Directory

Directors

Graeme Walker (Non-Executive Chairman)
Wayne Bramwell (Managing Director)
Peter Hepburn-Brown (Non-Executive Director)
Robert Weinberg (Non-Executive Director)
Rod Marston (Non-Executive Director)

Company Secretary

Trevor Hart

Notice of Annual General Meeting

The annual general meeting of Kasbah Limited will be held at:
Perth Zoo
20 Labouchere Road, South Perth
Time 10:00am
Date Friday, November 20th, 2009

Principal Registered Office in Australia

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Auditors

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Telephone: +618 9380 8400
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Share Registry

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Bankers

Westpac Banking Corporation
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West Perth WA 6005

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Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited under the trading code KAS

Chairman's Letter to Shareholders

Dear Shareholders,

The Company's main focus continues on exploration of the Achmmach Tin Project (Achmmach) in Morocco.

Good progress has been made as we work towards bringing Achmmach into production. As anticipated in my letter last year, in the December 2008 quarter we published an updated Joint Ore Reserves Committee (JORC) compliant inferred resource of 6 million tonnes at 0.9% tin, 0.6% cut-off grade for context (0.9% tin approximates 4.3g/t of gold at US$14,500/t tin and US$950/oz gold). The Company's December 2008 announced upgrade which represented a three-fold increase over the previously published figure.

In August this year we started the current drilling programme the objective of which is to define an indicated resource for mine planning studies. We then plan to undertake an underground drilling programme to convert the resource into a JORC ore reserve as part of a feasibility study.

During the year we also undertook some preliminary work on our Tamlalt gold project which we will continue to assess subject to the demands of Achmmach.

We raised further capital during the year to provide funding for our current work programme and were pleased to be able to do it on a basis that allowed all shareholders to participate equally. This show of support from our shareholders is very encouraging. Hopefully, the world financial situation will continue to improve and together with further good results from us will ease the financing of future work programmes. The Moroccan authorities have been most accommodating in extending the option period over Achmmach out to June 2011 and this provides additional time to systematically advance Achmmach through the evaluation phase.

As with other markets, there have been and continue to be big changes in the tin industry. We have seen moves by the smelters to seek concentrate supply security, continued instability in Indonesian concentrate and metal supply and a growing reluctance by tin traders, smelters and end users to purchase concentrates or ore from conflict areas throughout the world. It is likely that the tin market will be in surplus at least for 2009 and that as the world's industrial production begins to increase again, the tin sector will once again face concentrate supply issues. Apart from Achmmach, there appear to be few meaningful new tin projects on the horizon.

We look forward to the results of the current drilling programme and the next stages of realising the potential of Achmmach.

Thank you for your continuing support and thank you to all of our people at Kasbah for all of the hard work you have, and continue, to put in to the company.

Graeme Walker
Chairman

Review of Operations

Kasbah Resources Limited's (Kasbah) objective is to build a successful, Moroccan focussed, mining company. Kasbah has exclusive rights to acquire the Achmmach and El Karit tin projects and has 100% ownership of the Tamlalt Gold project in eastern Morocco.

Kasbah's business strategy is to systematically explore, evaluate, and if economic, develop these key projects and seek other resource development opportunities throughout Morocco and the region.

The company's prime exploration focus during 2008 / 2009 was to further advance the large, hard rock Achmmach Tin Project towards a development decision. Kasbah has been successful in increasing the size of the JORC resource towards our development target and this key asset is on track to a development decision by June 2011.

HIGHLIGHTS

Kasbah listed on the Australian Security Exchange (ASX) on April 27, 2007. To September 2009, the following milestones were achieved:

- **Continued drilling success at the Company's Achmmach Tin Project**

  To date Kasbah has completed 8,807m of diamond drilling from 28 holes in three phases across the Achmmach Tin Project.

  Following on from the success of the earlier Phase 2 drilling program (AD018-AD022) which extended the known mineralisation of the Meknes zone both vertically and laterally, a further 2,582m was completed from six Phase 3 drill holes (AD023-AD028) in this zone.

  Phase 3 drilling discovered new high-grade tin lodes south of the Meknes zone in drill holes AD025, AD027 and AD028.

- **Announcement of a 300% upgrade to our Inferred JORC Resource at Achmmach**

  In December 2008 the company announced an updated JORC Inferred resource of 6,000,000 tonnes at 0.9% tin for 52,000t of contained tin metal (at a cut-off grade of 0.6% Sn).

- **Extension of the Achmmach Option Agreement with the Ministry of Energy and Mines**

  In May 2009 the Ministry of Energy and Mines (MEM) approved an extension to the Achmmach Option Agreement to June 1 2011. This extension now provides the extra time needed to systematically advance the project through feasibility and to submit a feasibility study to ONHYM (Office National d'Hydrocarbures et Minières).

- **Commencement of the Meknes Zone Indicated Resource (MZI) drill programme**

  In August 2009 the company commenced a planned 15,000m diamond drilling programme focussed on increasing the global JORC resource and targetting conversion of 1-2 Mt of the Meknes Zone into a JORC Indicated category and increasing the global tin resource.

- **Identification of other local and regional targets at Achmmach**

  Review of rock chip sampling and surface mapping in the Eastern Zone and systematic rock chip and soils sampling and surface mapping in the Northern Zone identified high grade tin at the surface in previously undrilled areas. The ground magnetic survey has defined structural and magnetic domains associated with the tin mineralisation.

- **Successful Completion of 1A and 1B Metallurgical test work programmes**

  The Achmmach 1A and 1B test work programmes undertaken by SGS Cornwall indicate that clean, low impurity tin concentrates of saleable grades can be achieved by conventional gravity and flotation processing technologies' with metallurgical recoveries of 75-80%.

- **Extension of mineralised strike zone at the Jebel Malek Prospect at the Tamlalt Gold Project**

  The completion of a ground magnetic survey and surface rock chip sampling at the Jebel Malek Au Prospect has potentially extended the total mineralised strike length to 1.5km.

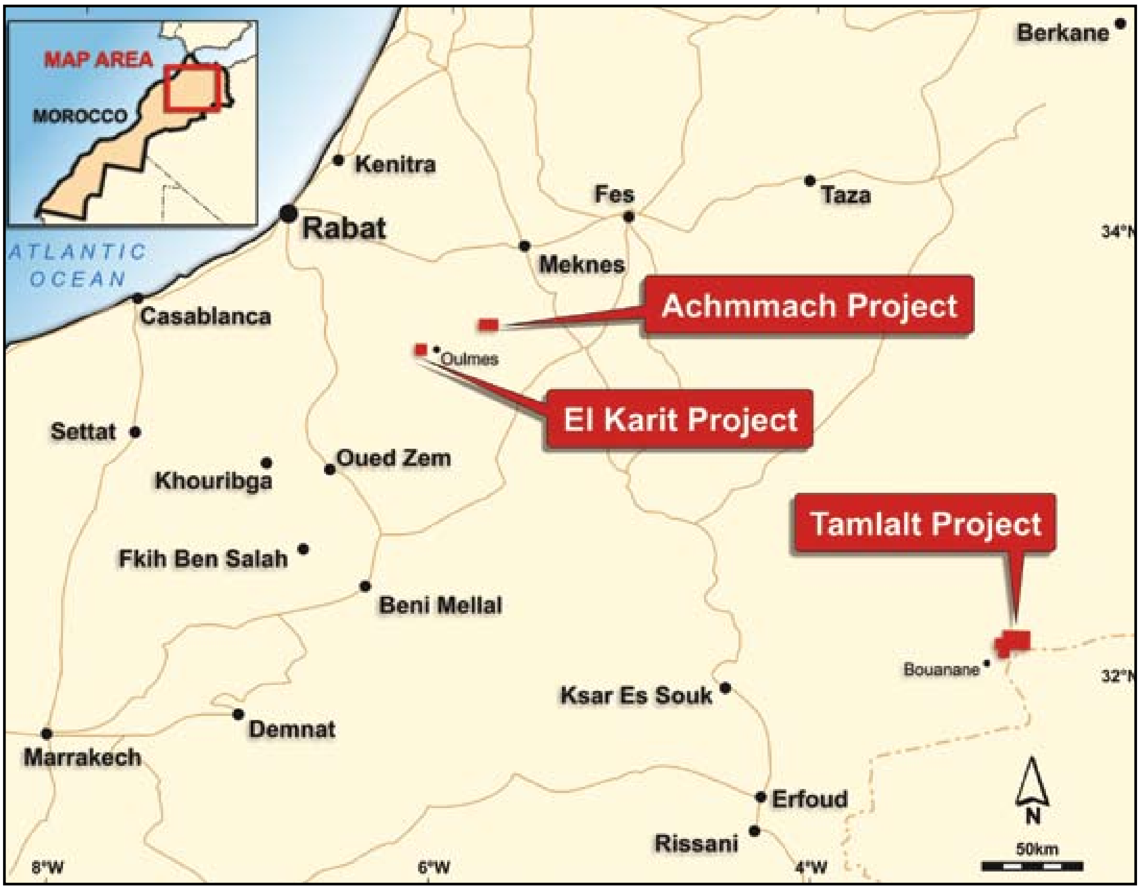

Figure 1 – Kasbah Asset Map, Morocco

A summary of Kasbah's projects follows.

1.0 ACHMMACH TIN PROJECT

1.1 Project Overview

The Achmmach project is located on the western edge of the El Hajeb province, approximately 110km southeast of the Moroccan capital, Rabat and 40km south southwest of Meknes at N33 32' 56" W5 45' 26" on the Bouqachmir 1:50,000 topographic map sheet (Figure 1).

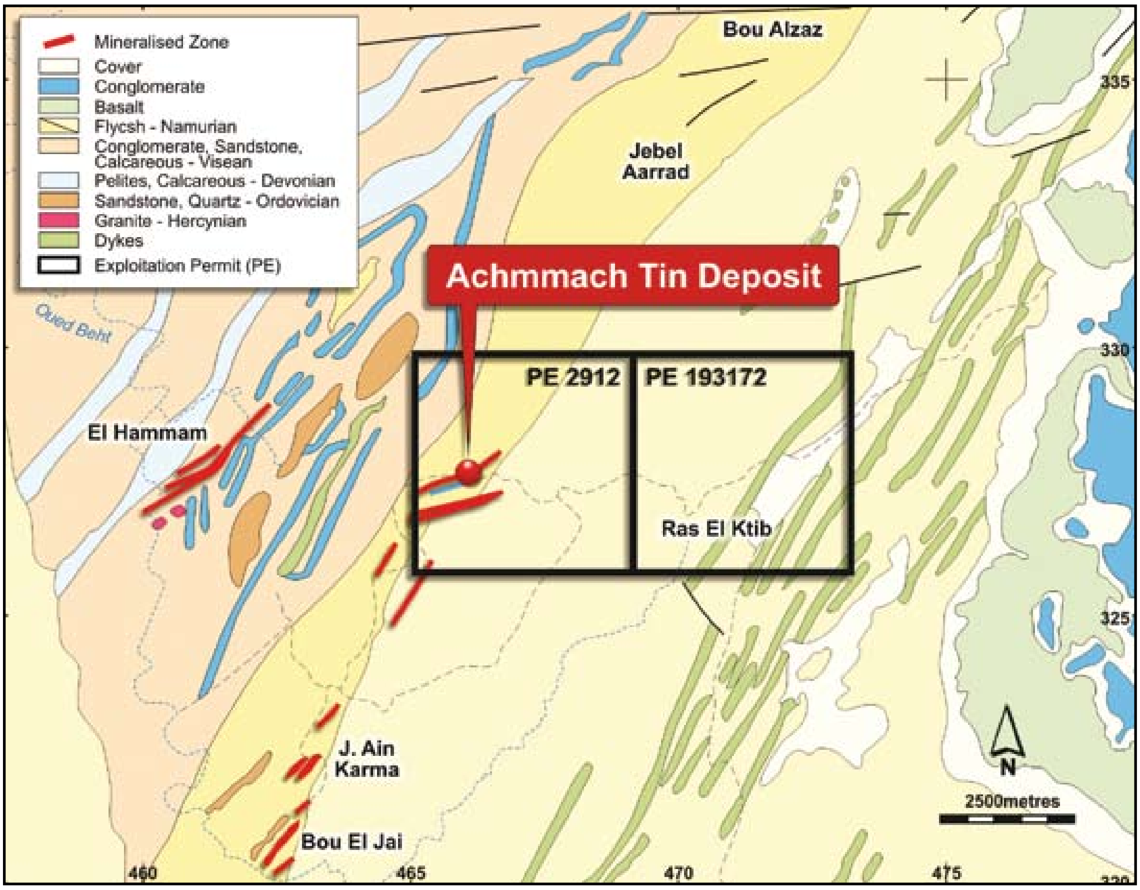

Figure 2 – Achmmach Tin Project – Permit Map

This project consists of two Exploitation Permits (PE No 2912 and PE No 193172) covering an aggregate area of approximately 32 square kilometres (Figure 2). Kasbah has an exclusive right to acquire a 100% interest in the Achmmach project from ONHYM by completing a positive feasibility study by June 2011.

Drilling to date by Kasbah has delineated a JORC Inferred Resource of 6Mt @ 0.9% Sn containing 52,000 tonnes of metal (fully diluted and at a 0.6% Sn cut off grade). Preliminary metallurgical test work undertaken for Kasbah has indicated saleable, high grade primary concentrates at metallurgical recoveries of 75-80%, can be achieved using conventional gravity and flotation processes.

The Achmmach Tin Project was discovered by the BRPM (Bureau des Recherches et de Participations Minières) in 1985. From 1991 onwards BRPM undertook an extensive exploration and evaluation work programme on Achmmach, which included regional and project scale geological mapping, soil geochemistry, gravity surveying, surface trenching, 33 diamond drill holes totalling 14,463m, a 85 metre deep exploratory shaft with 827 metres of underground drives, an underground bulk sampling program and metallurgical test work.

In November 2007 Phase 1 of Kasbah's work programme at Achmmach commenced. The objective of the Phase 1 drilling (AD001-AD016) was to test for shallow, open pit opportunities in the Eastern Zone of the Achmmach Tin Project.

This drilling identified a target which warranted further structural and surface geochemical sampling.

In July 2008 the drilling then shifted to the Western Area of the project as planned. This Phase 2 programme (AD018- AD022) focussed on the known deeper mineralisation of the Meknes Zone around the historic underground exploration workings undertaken by the BRPM.

Success during Phase 2 saw the commencement of Phase 3. The drilling of the Meknes Zone continued (AD023-AD028) and was completed in December 2008. It extended the known strike length of the Meknes zone 350m and to a vertical extent of approximately 150m. The Meknes zone remains open along strike and at depth and is only currently limited by drilling coverage. This drilling also discovered other tin lodes below and to the south of the Meknes Zone (Figure 3).

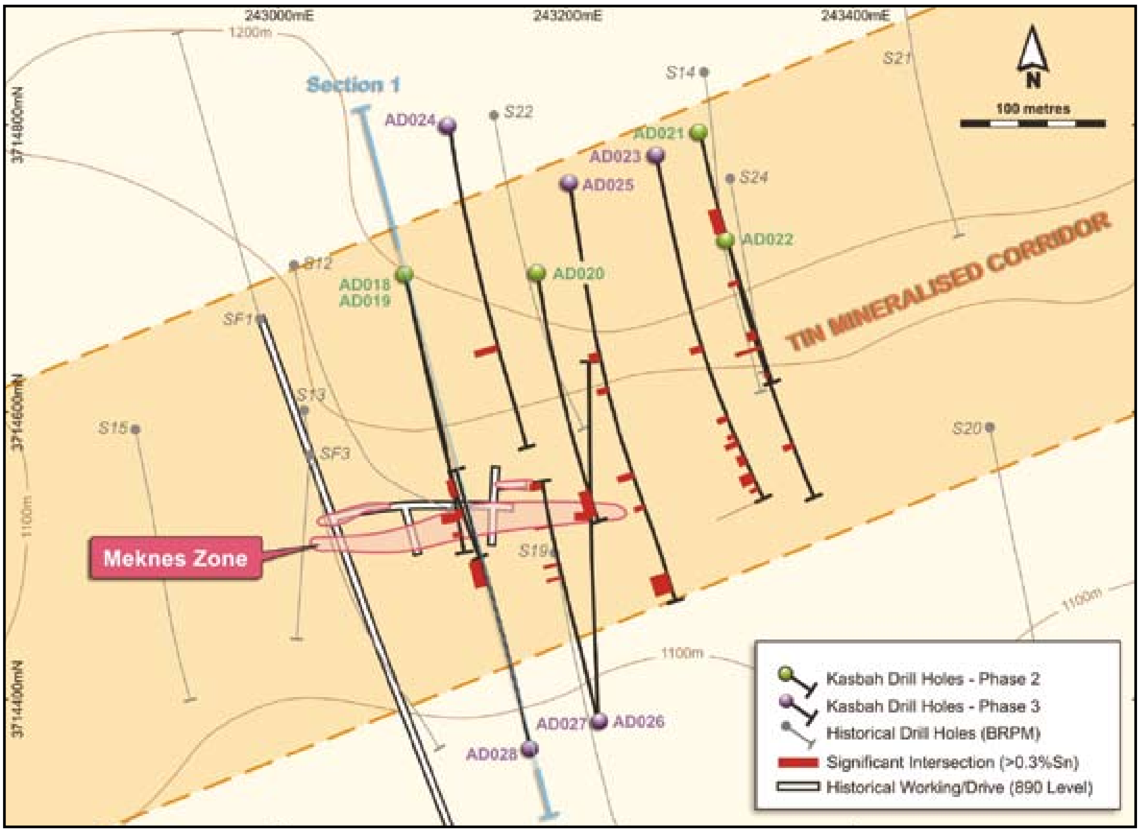

Figure 3 – Achmmach Phase 2 and 3 Drilling - Meknes Tin Zone

At Achmmach six main tourmaline lode structures that host the mineralisation have been identified and traced over several hundreds of metres of strike length, with the total system being of the order of 2km long. To date three main zones of mineralisation are recognised within these six structures (Figure 4).

These include;
1) The Meknes Zone,
2) The Fez Zone, and
3) The Eastern Zone.

The zones consist of an array of stacked tin lodes that vary in widths up to 30 metres.

The vertical extent of these lodes are only limited by the depth of the current drilling. A structural interpretation of drill core infers the current drilling has intersected the top of a much larger and deeper mineralised system.

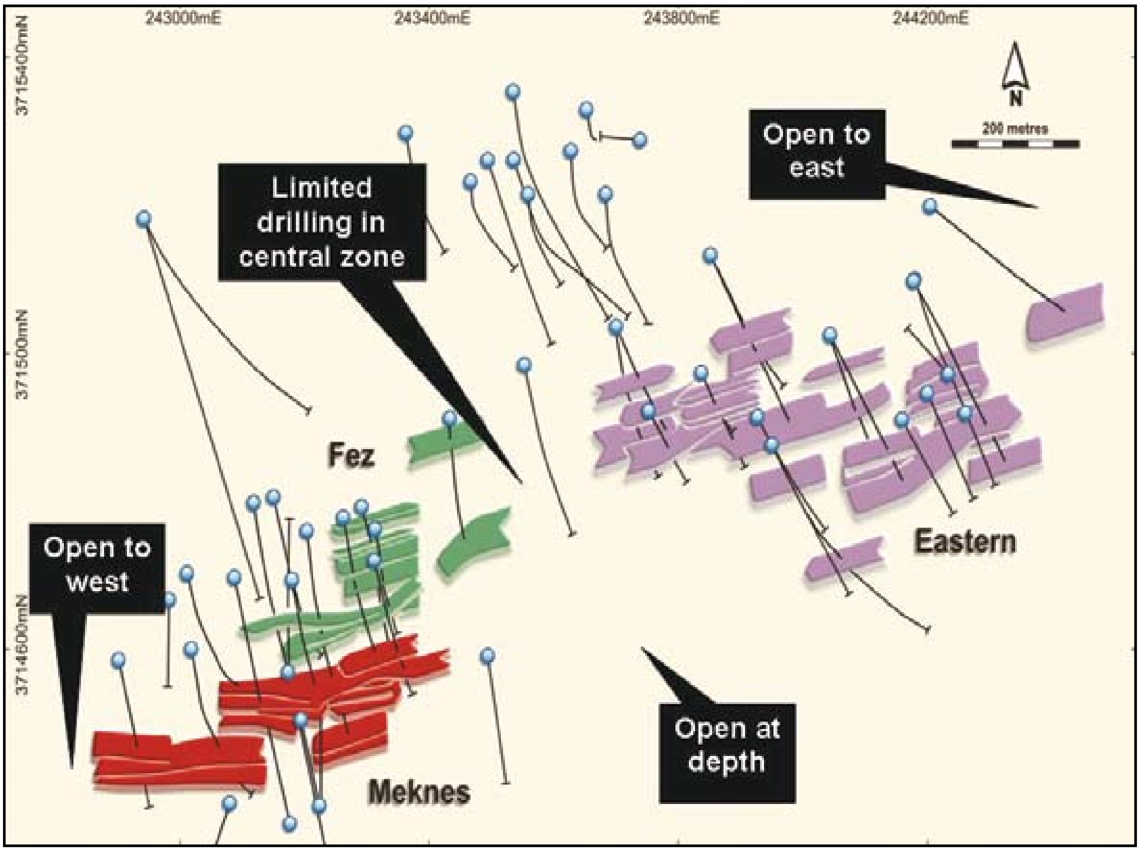

Figure 4 – Plan view of Achmmach JORC Inferred Resource Model (showing interpreted mineralised zones and drill hole traces)

Tin mineralisation is associated with tourmaline-silica replacement lodes and breccias hosted by an interbedded sequence of folded metamorphosed siltstones and sandstones. The tin occurs mainly as cassiterite in millimetre to centimetre scale quartz-cassiterite veinlets and fracture arrays that cut the earlier tourmaline alteration.

The Meknes zone occurs as stacked lodes striking east-northeast, dipping steeply to the north. It is the most significant mineralisation discovered to date and is the focus of the ongoing work.

1.2 Exploration Objective

In April 2007 Kasbah reported an initial Inferred JORC resource of 2Mt at 1% Sn (using a 0.6% Sn cut off grade). This initial estimate was based upon historic BRPM drilling only.

The company's primary exploration objective was to upgrade this initial resource. Kasbah successfully achieved this in December 2008 by announcing an upgraded JORC Inferred resource of **6,000,000 tonnes at 0.9% Sn** (using a 0.6% Sn cut off grade and diluted for mining).

The next exploration objective was to evaluate and test the vertical and lateral extent, orientation and continuity of the tin mineralisation of the Meknes zone. This objective was achieved by Kasbah drill holes AD023-AD028.

The next step towards a development decision is to convert a component of the Inferred JORC resource to Indicated JORC standard such that mine planning studies can commence. This programme is defined as the Meknes Zone Indicated (MZI) resource drilling programme.

1.3 2009 Exploration Activity

During the past 12 months to September 2009 Kasbah achieved the following milestones at Achmmach;

- Completed a total of 2,582m in the six hole Phase 3 diamond drill hole program (AD023-AD028) that was designed to test the vertical and lateral continuity of the Meknes Zone tin lodes. Phase 3 drilling returned wide intersections of high grade tin mineralisation extending the Meknes zone and discovered new high-grade tin lodes south of the currently defined Meknes zone;
- Commenced drilling of the 15,000m planned Meknes Zone Indicated Resource (MZI) Programme in the Western area. This programme aims to collect sufficient data for the estimation of a JORC Indicated Resource in the range of 1-2Mt from the existing Inferred Resource of 6Mt @ 0.9% Sn such that mine planning studies can commence;
- Completed a 300 line/kilometre ground magnetic survey over PE 2912 that covers the Achmmach Tin Project. The survey was completed at 200m line spacing with in-fills at 100m and 50m over areas of interest;
- Established a structural framework and conceptual mineralisation model for the Achmmach Tin Project based on the detailed mapping of over 1,200m of strike extent of the tourmaline lodes on the surface, regional mapping of 16 square kilometres and relogging of 4,615m of diamond drill core;
- Collected a total of 561 soils samples from two areas on PE2912. This included:
    - 203 samples from the magnetic complex identified by the ground magnetic survey in the Northwest and
    - 358 samples from the Eastern zone where previous rock chip sample had returned anomalous tin results.
- Commenced a review of the open cut potential of the Eastern and Northern zones of the prospect where tin mineralisation occurs at the surface in rock chip and soil samples.

1.4 Phase 3 Drilling Results (Meknes Zone)

The aim of the Phase 3 drilling programme was to evaluate the vertical and lateral extent, orientation and continuity of the tin mineralisation of the Meknes zone. The Phase 3 program consisted of 6 diamond holes (AD023 to AD28) for a total of 2,582m (Figure 3).

The drill hole locations and significant intersections from these holes are summarised in the tables below.

Table 1
Achmmach Phase 3 Drill Hole Collar Locations

Hole ID No.	Easting (m) WGS84 UTM30N	Northing (m) WGS84 UTM30N	RL (m)	Azimuth mag.	Dip (deg)	Depth (m)
AD023	243262	3714777	1157	167°	-50°	431.9
AD024	243120	3714800	1173	171°	-52°	401.8
AD025	243203	3714760	1164	171°	-54°	538.9
AD026	243223	3714387	1090	357°	-57°	461.8
AD027	243223	3714387	1090	345°	-60°	345.8
AD028	243171	3714363	1089	343°	-60°	401.7
TOTAL						**8,806.6**

Table 2
Achmmach Phase 3 Significant Drill hole Intersections*

Drill Hole	From (m)	To (m)	Intersection Width (m)	Tin Grade Sn %	Zones
AD023	150.0	154.0	4	0.42	Fez zone
	222.0	234.0	12	0.75	Fez zone
	317.0	325.0	8	0.77	Meknes zone
	341.0	358.0	17	0.65	Meknes zone
	369.0	383.0	14	0.58	Meknes zone
	393.0	408.0	15	0.97	Meknes zone
	413.0	418.0	5	0.67	Meknes zone
	428.0	431.5 EOH	3.5	0.82	Meknes zone
AD024	268.0	277.0	9	1.67	Fez zone
	319.0	323.0	4	0.33	Fez zone
AD025	211.0	223.0	12	0.79	Fez zone
	247.0	250.0	3	1.14	Fez zone
	256.0	263.0	7	0.76	Fez zone
	338.0	342.0	4	0.64	Meknes zone
	369.0	378.0	9	1.15	Meknes zone
	394.0	399.0	5	0.35	Meknes zone
	413.0	420.0	7	0.83	Meknes zone
	502.0	534.0	32	1.04	New zone
AD026	258.0	269.0	28	0.61	Meknes zone
AD027	209.0	212.0	3	1.40	New zone
	226.0	231.0	5	1.06	New zone
	235.0	251.0	16	0.36	New zone
	271.0	277.0	6	0.38	Other
	281.0	304.0	23	0.44	Other
	335.0	345.0 EOH	10	0.78	Meknes zone
AD028	235.0	273.0	38	0.93	New zone
	314.0	317.0	3	0.55	Other

* Defined as ≥ 3m width with 0.3% Sn cut-off and ≤ 3m internal down hole dilution used
Assays based on ½ NQ or HQ core

The results from Phase 3 drilling have extended the known mineralization and confirmed the continuity of the Meknes zone and identified new tin lodes approximately 50m south and 100m vertically below the currently explored system. It also supports an east to east northeast striking subvertical to northwest dipping orientation for the Meknes zone tin lodes.

The known strike length of the Meknes zone is defined by the underground workings and the Kasbah drilling. The Kasbah drilling to date has extended the Meknes zone by approximately 350 metres (extending from 243000mE to 243350mE) with an indicative true width of mineralisation up to 30 metres.

The Meknes zone remains open in all directions (Figure 5).

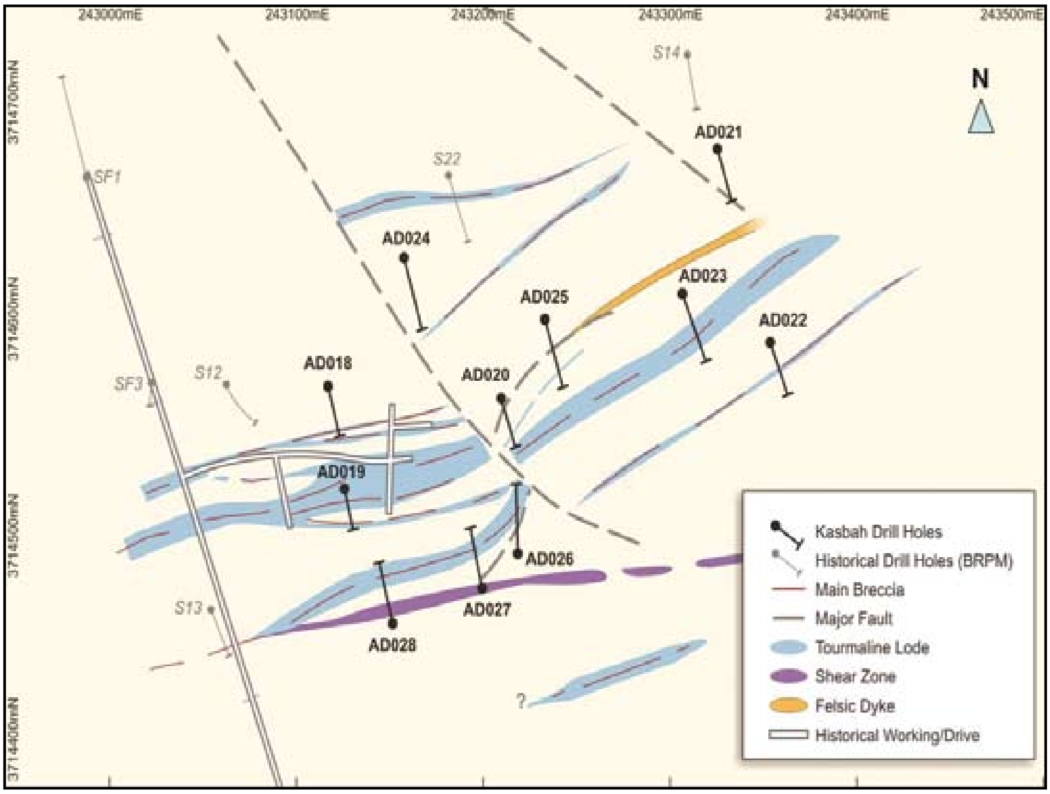

Figure 5 – Meknes tourmaline lodes and main structures on the 900m RL level plan

1.5 Meknes Zone Indicated Resource (MZI) drilling programme

The MZI drilling programme commenced in August 2009 with drill hole AD029. The MZI drill hole programme aims to collect sufficient data for the estimation of a JORC Indicated Resource in the range of 1 to 2 Mt from within the existing JORC Inferred Resource of 6Mt @ 0.9% Sn. This will provide close spaced drill data for mine planning studies to commence.

Systematic drilling will focus on a 400 metre zone along strike from the mineralisation defined by BRPM in the underground workings (structures B and C) on the 3714525mN section from 24300mE to 243400mE extending from the 950mRL to the 800mRL.

To achieve this a total of 15,000m of diamond drilling from 37 holes on 9 sections is planned on a nominal 50m x 50m grid. Drilling will be from both the north and the south of the Achmmach hill. The drilling from the north will test the 950mRL and the 900mRL. The drilling from the south will test the 850mRL and the 800mRL. All HQ and NQ core runs will be oriented for structural measurements (Figure 6).

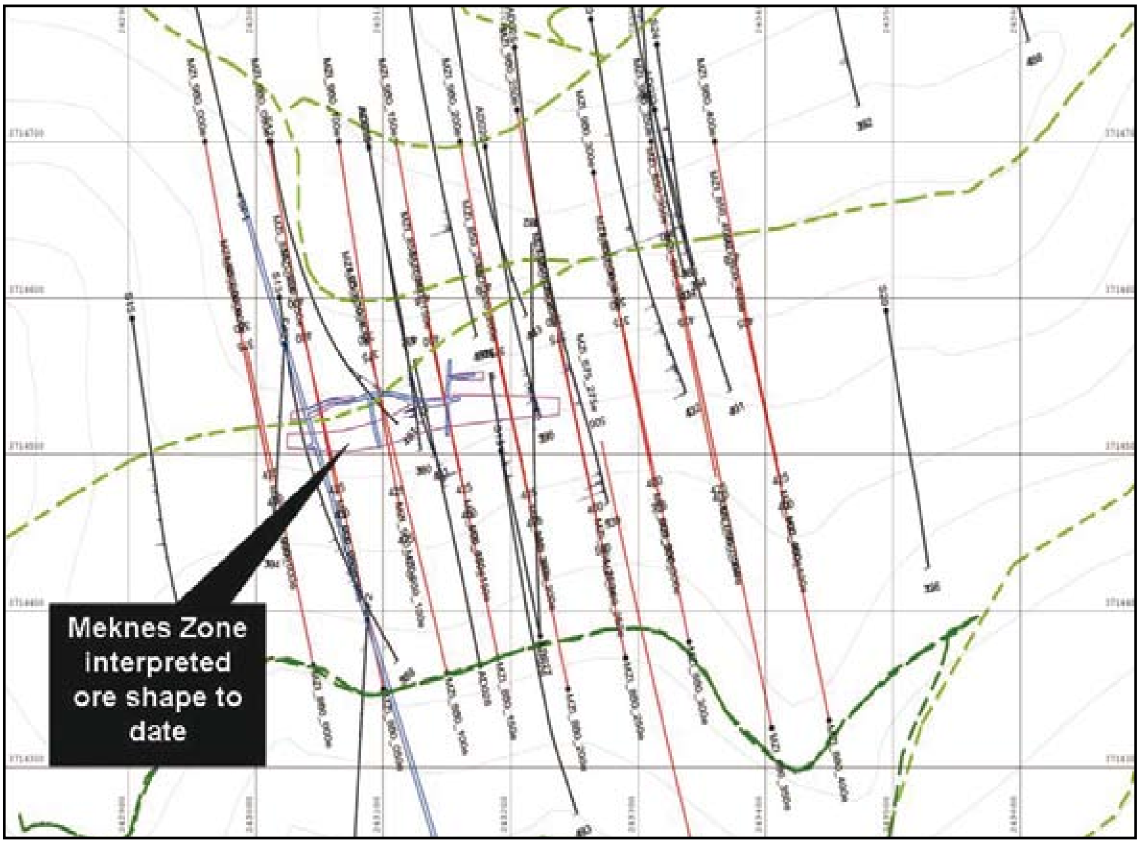

Figure 6 – Meknes Zone Indicated (MZI) drill programme (Proposed holes in red)

1.6 Ground Magnetic Survey over PE 2912

Geophysical consulting group, Resource Potentials was commissioned in April 2009 to carry out the acquisition and processing of a ground magnetic survey over the Achmmach project western lease PE2912. The survey consisted of 300 line / km covering approximately 32 km^2.

The ground magnetic image clearly shows a number of magnetic domains / features which can be associated with features identified in the mapping and drilling results (Figure 7).

The entire northwest quarter of PE2912 is underlain by a complex magnetic high cut by numerous 060 magnetic trending linears identified as shear zones. This area has been systematically soil sampled.

The southern half of the magnetic complex is segmented by two well developed linears spaced about 700m apart trending 110 magnetic. The southernmost of these linears is developed along the northern edge of the prominent magnetic highs that underlie the ONHYM drill holes S01-S11 (Northern area) and the area defined as the Eastern Zone mineralisation by Kasbah.

Drilling during Phase 1 encountered significant pyrrhotite +/- cassiterite veining that is believed to be responsible for the large magnetic high centred on the Eastern zone.

A smaller magnetic high oriented ENE is centred on the Meknes Zone area. The origin of this magnetic anomaly is not known as there is only a small amount of pyrrhotite veining noted in the current drilling which is unlikely to be causing this response. Whilst the cause of the magnetic anomaly is unknown it is encouraging that the underlying magnetic signature associated with this zone of mineralisation forms a coherent body.

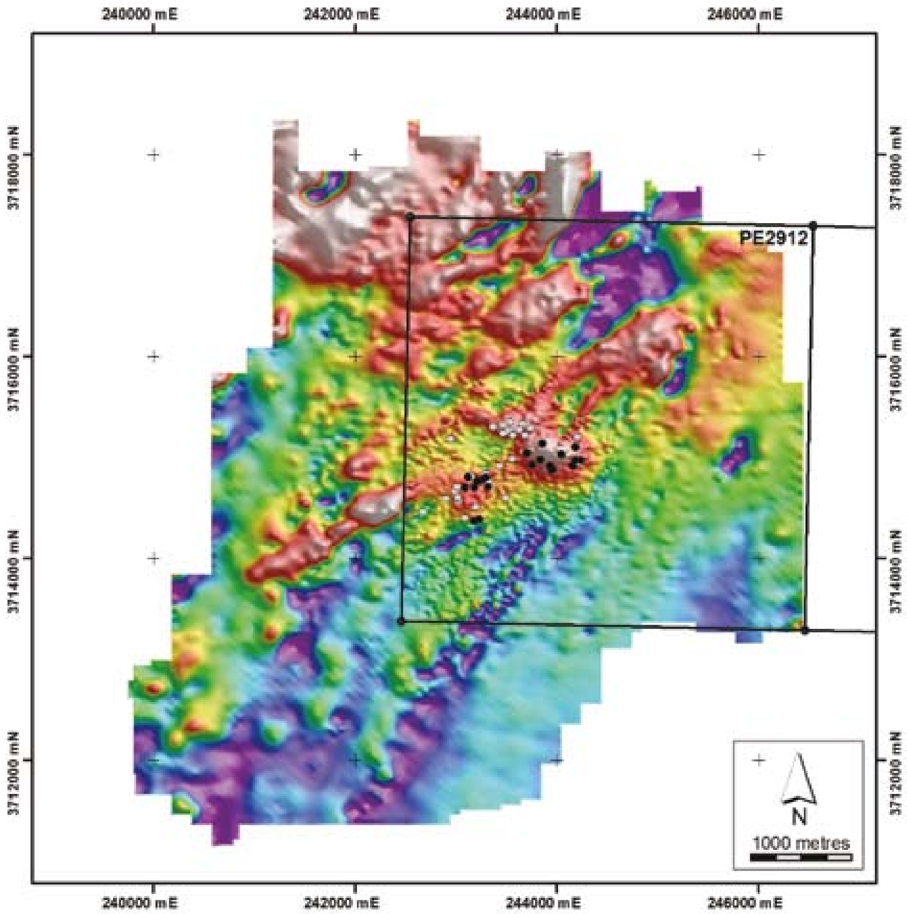

Figure 7 – Ground magnetic image RTP TMI over the Achmmach Deposit
(Black dots are Kasbah drill hole collars, Grey dots are historic ONHYM drill hole collars.)

1.7 Structural Framework and Conceptual Mineralisation Model

In March 2009, Kasbah engaged Dr. Toby Davis, a structural specialist with Impel Geosciences to visit Achmmach and assist in defining the local structural controls on mineralisation. Dr Davis spent 10 days on site mapping outcrop and logging core to develop a preliminary structural model for the mineralisation.

Preliminary conclusions, which need to be confirmed by additional mapping, drill core logging and drilling, are;

1. The Meknes zone is made up of a series of moderately NW and W dipping lodes extending from a central subvertical E-W striking fault. Lodes can be traced on single sections over several hundred metres but current drill spacing hinders interpretation between sections;
2. The main phase of tin mineralisation was preceded by several alteration and veining events;
3. The deformation history prior to mineralisation was mainly ductile with a change to brittle deformation just prior the main tin depositional event;
4. Primary rock type and pre-existing structures, high strain zones, folds and E-W faults, had a strong influence on the localisation of mineralisation, and,
5. The deposit does not appear to have been segmented by cross cutting structures

Kasbah geologists have developed a conceptual mineralisation model (Figure 8). This model utilises mapping of over 1,200 metres of strike length of the outcropping tourmaline lodes and associated breccias, re-logging of nearly 4,615 metres of diamond drill core and regional mapping of over sixteen square kilometres around the prospect. Many of these elements are illustrated and described in Photos A to F.

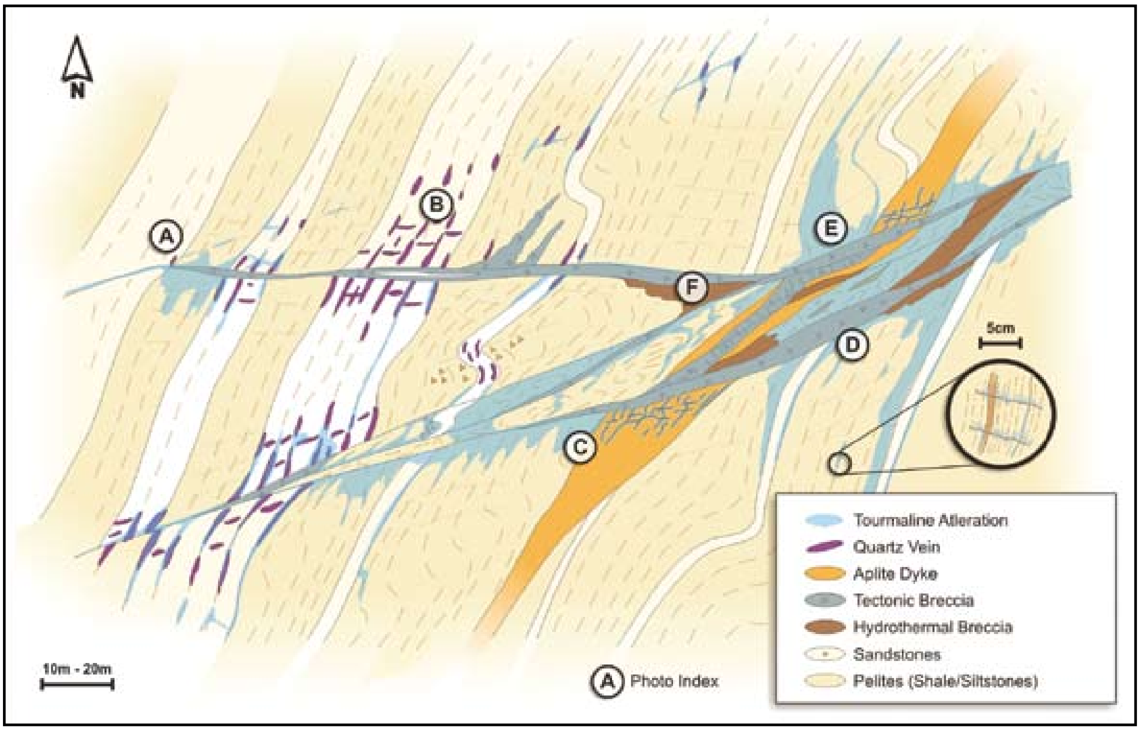

Figure 8 – Achmmach composite conceptual mineralisation/alteration model (also refer to Photos A-F for detail)

A – E-W fracture pattern on the extreme western side of the deposit showing the tourmaline alteration along the fractures in the pelites; the top main fracture runs 0.03% Sn.

B – Quartz veining in sandstone beds in contact with tourmaline altered sediments.

C – Brecciated contact between tourmaline altered aplite dyke and tourmaline altered sediments.

D – Hydrothermal breccia within a 075 trending structure cutting tourmaline altered sediments.

E – Edge of brecciated structure. Upper contact tourmaline altered tectonic breccia and lower contact tourmaline altered sediments.

F – AD028 Tray53 (240.80m to 244.80m depth) shows the contact between the silica matrix supported hydrothermal breccia (upper part of tray to 243m) and the tourmaline altered sediment in matrix supported tectonic breccia (lower from 243m).

1.8 Review of the Open Cut Potential of Eastern and Northern zone

The Eastern zone of the Achmmach Tin project is defined by the area east of 243700mE. This is the location of the Kasbah Phase 1 drilling program (AD001-AD016). BRPM had previously drilled holes S01-S11 to the north of this area. Both zones are underlain by prominent magnetic highs identified in the recent ground magnetic survey (Figure 7).

As part of the planned review of the open cut potential of the Eastern zone, over 170 hectares were soil sampled by Kasbah in April and July 2009. Part of the results from the 561 soils samples collected are still pending but the first results have identified two separate areas of anomalous tin results in the soils.

The biggest anomaly is located 500 metres southwest of the Achmmach exploration camp and is referred to as the Northern zone. The second anomaly covers an area of approximately 250m x 200m in the centre of the Eastern zone. Rock chip sample from this area have returned assays at over 1% tin grade (Figure 9).

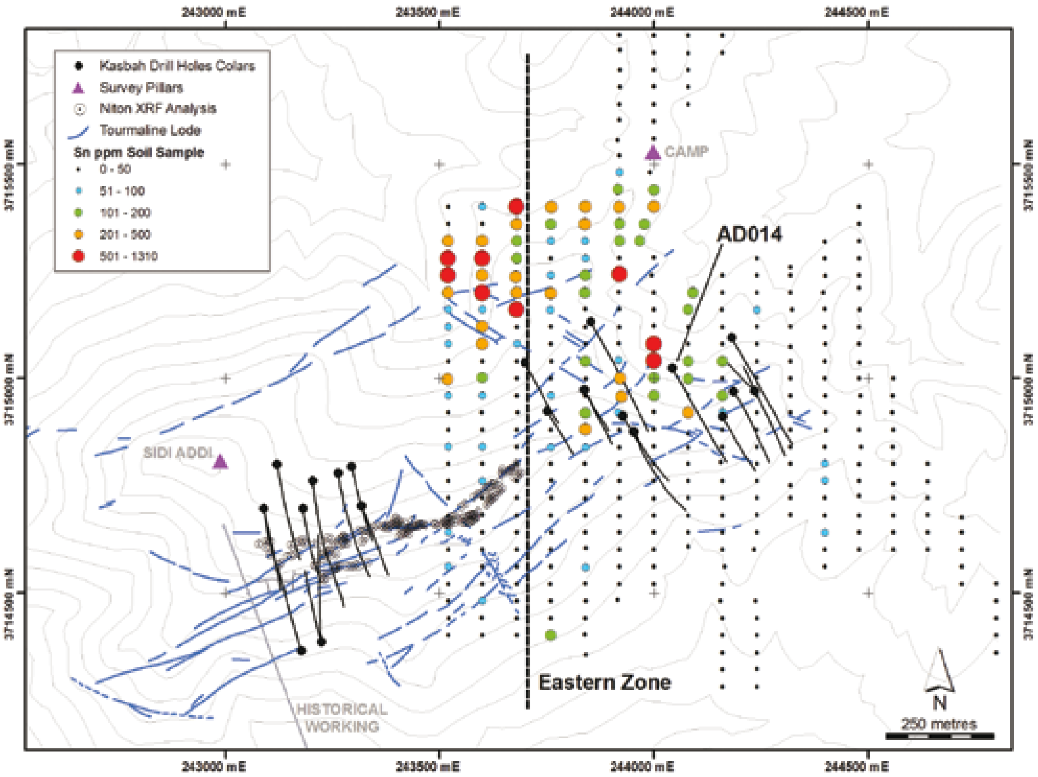

Figure 9 – Eastern Zone and Northern Zone Soil Samples Results

The surface mapping and relogging of drill holes in this area identified three main elements characterizing the Eastern and Northern zones (Figure 10). Those elements are;

- A broad 100m wide corridor of dykes/sills of intermediate composition intrudes the sediments which trends at about NNE.
- Just west of the intrusive corridor, a broad 100 m wide NNE trending regional shear zone, and
- An ESE-WNW trending/ SW dipping corridor of tourmaline lodes, cross cutting the previously known E-W tourmalines lodes.

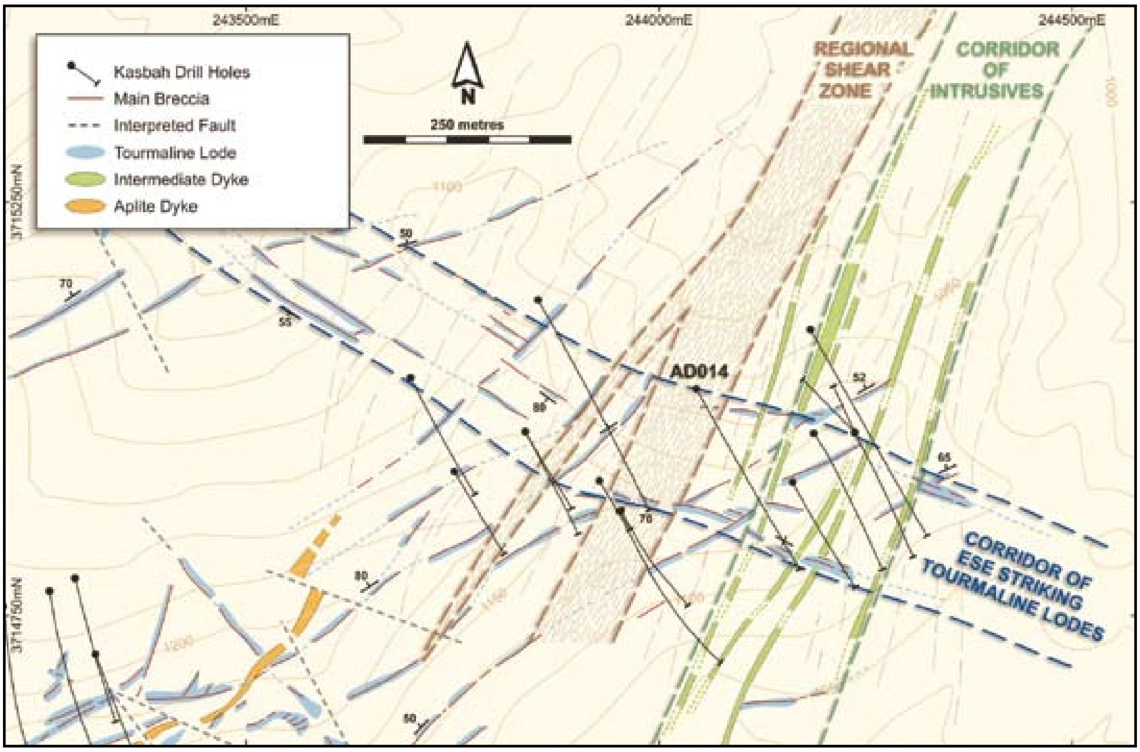

Figure 10 – Eastern Zone and Northern Zone Interpreted Geology

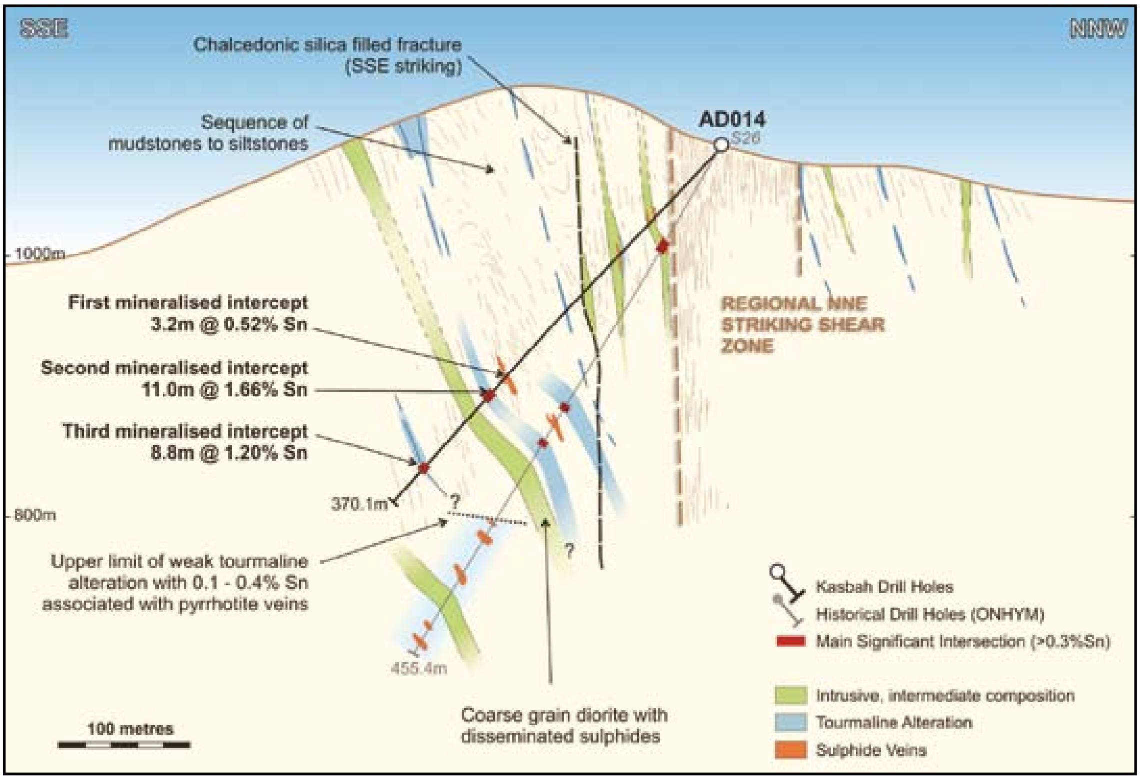

Figure 11 – Eastern Zone Section interpretation through AD014 (looking South West)

Figure 11 depicts a cross section with drill holes S26 from ONHYM and AD014 from Kasbah and is representative of the main characteristics of the Eastern Zone. Those elements are;

- host rocks are interbedded mudstones/siltstones,
- widespread intrusions of intermediate composition,
- weaker, less pervasive tourmaline alteration/lodes,
- tin mineralisation associated with pyrrhotite/pyrite veining and/or with quartz veining associated with relatively weak tourmalinization,
- regional ESE-WNW trending shear zone,
- development of crosscutting late-stage fractures, veins and breccias of chalcedony and fluorite.

In the Eastern Zone, drill results to date infer that this zone is at the top of a larger mineralised system. This is evidenced by the presence of broad, low grade haloes seen in the existing drilling and the tendency for the tin tenor to increase with depth.

The system is also open in this area and warrants further deeper drilling to define the extent and location of the mineralised tin lodes.

2.0 TAMLALT GOLD DEPOSIT

The Tamlalt Gold Project, in Eastern Morocco, is located near the South Atlas fault, one of the major mineralising structures in Morocco (Figure 12).

This project was acquired by Kasbah from ONHYM in May 2007, with the final transfer of the 8 Exploration Permits (128km^2) completed in July 2008 (Figure 13).

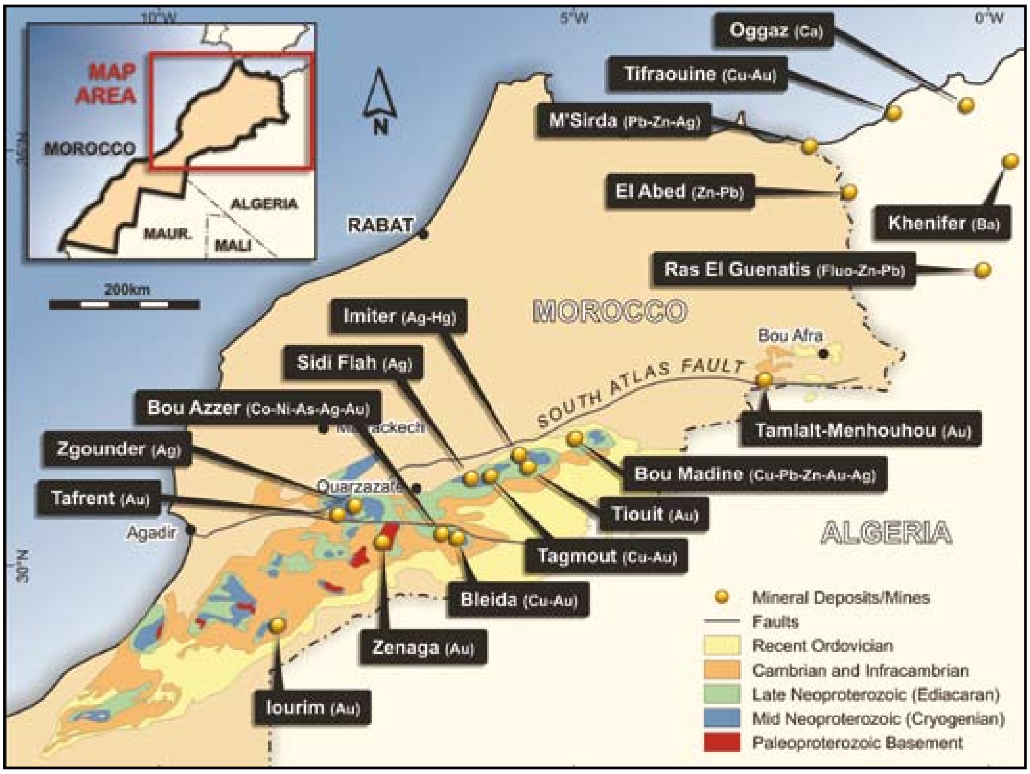

Figure 12 – Regional Geology Map Showing Mineral Deposits In Morocco along the South Atlas Fault Zone

2.1 Project Overview

The Tamlalt Gold Project is located in the Neoproterozoic Menhouhou inlier, which itself belongs to the Palaeozoic Tamlalt inlier. Gold mineralisation was discovered by the ONYHM in 2002 located in the High Atlas structural domain, just north of the South Atlas fault.

Other mineralised Neoproterozoic inliers exist in the Tamlalt region (Figure 14): namely the Bou Salem inlier, located 30 km north-east of the Menhouhou inlier (Cu/Au), and the Ain Chair inlier located 40 km east of Menhouhou (Cu).

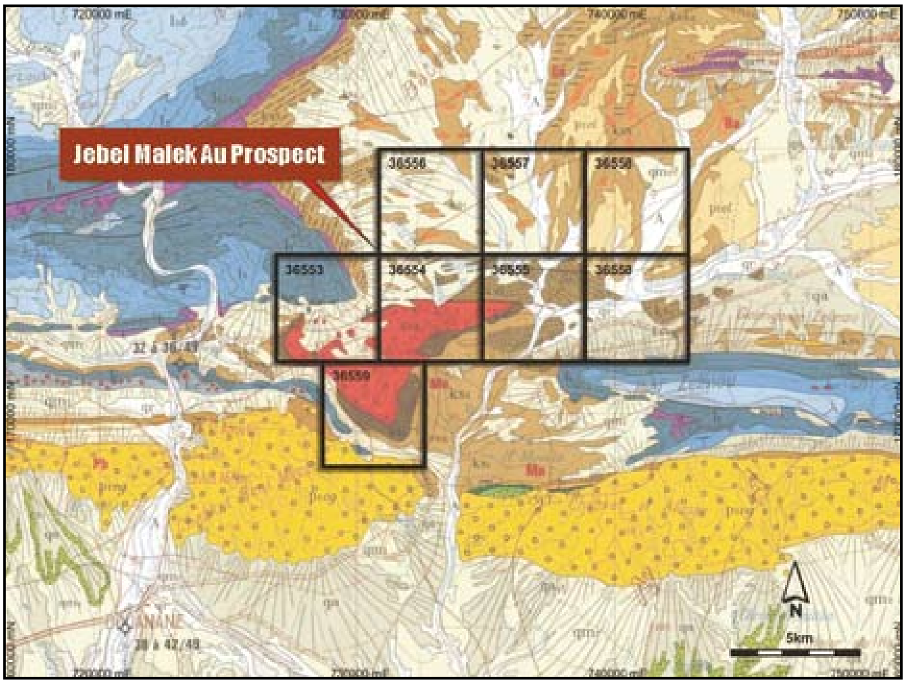

Figure 13 – Tamlalt Gold Project - Permit Map

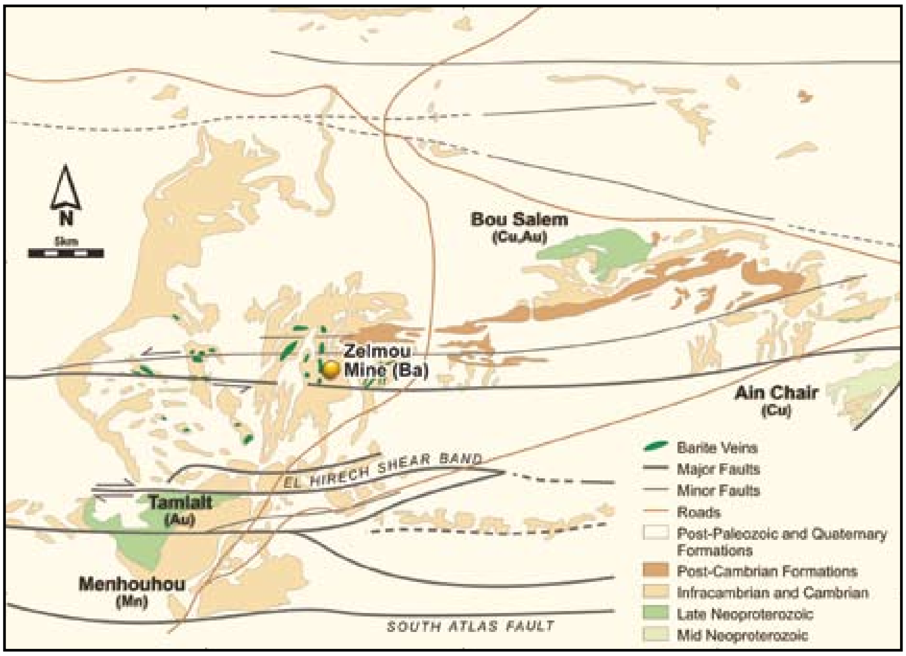

Figure 14 – Tamlalt Gold Project – Geological Setting

ONYHM completed the following exploration works at Tamlalt prior to Kasbah's acquisition:

- 33 diamond drill holes totalling 7,019m
- Geological mapping 1:2,000 scale covering 2.1km^2
- Geophysical survey
- Geochemical sampling.

Gold mineralisation is hosted by the Upper Neoproterozoic bimodal volcanic and volcano-sedimentary sequence (the red unit on Figure 13)

Two styles of gold mineralization are present, an earlier 'primary' mineralization associated with strong sericite and chlorite alteration, and a later concentration of the gold in quartz veins related to shearing. The veins are visible in surface outcrop and the gold mineralisation is exposed with shallow trenches and has been confirmed in subsequent drilling by ONHYM.

The high-grade gold is associated with quartz veins and pyrite. Many areas are brecciated and cemented with hematite. The significant intersections from the ONHYM drilling in this area are listed in Table 3.

Table 3
Jebel Malek Prospect: Significant intersections from ONHYM Drilling

Hole	From	To	Intersection Width (m)	Grade Au g/t	Comment
JM01	37	38	1	0.6	
JM01	65	68	3	1	disseminated pyrite with hematite alteration
JM01	73	81	4	1.8	very fractured, iron carbonates
JM01	85	93	8	2.8	
JM01	98	99	1	2	visible gold in small altered cubes of pyrite (1mm side)
JM01	102	112	10	3.4	hematite alteration and iron carbonates
JM01	117	119	2	3.3	hematite alteration and iron carbonates
JM01	122	123	1	1.7	hematite alteration and iron carbonates
JM09	32	44	12	2.6	disseminated pyrite in altered porphyry-quartz, hematite veins and locally massive sulphides at pyrite and chalcopyrite in quartz
JM09	48	51	3	1.5	disseminated pyrite in altered porphyry-quartz, hematite veins and locally massive sulphides at pyrite and chalcopyrite in quartz
JM09	71	74	3	5.3	hematite breccia and quartz with disseminated pyrite
JM09	76	77	1	13	very fractured, iron carbonates
JM09	89	90	1	2.2	very fractured, iron carbonates
JM09	132	134	2	2	silicified rhyolite with disseminated pyrite
JM10	55	61	6	2.2	
JM10	65	71	6	4.5	
JM10	132	133	1	0.7	
JM10	137	138	1	1.6	
JM11	101	107	6	1.4	
JM11	133	135	2	0.5	

Using 15g/t high grade cut, 2m internal waste, COG of 0.5 g/t Au

The volcano-sedimentary sequence is composed of a lower unit of basaltic and andesitic flows and tuff intruded by metagabbros and an upper unit of dacites, rhyodacites and rhyolitic tuffs and associated polygenetic conglomerates. Where sheared and mineralised the rocks have undergone strong quartz-phyllic-argillic alteration and peripheral to these shears, the rocks in the central zone are less altered with chlorite-calcite-pyrite alteration present.

Two main east-west trending faults cross cut the Tamlalt Gold Project. The Machgoug fault to the south and the multi-strand El Hirech fault to the north bifurcates into a broad shear band around the Jebel Malek gold prospect (Figure 14).

Kasbah has completed extensive ground magnetics and rock chip sampling on the Permit 36554 which covers the Jebel Malek deposit and on Permit 36553 and which adjoins it to the west.

The area under cover untested by ONHYM to the west of the existing drilling remains open and ground magnetics and rock chip sampling has confirmed the prospectivity of this area to host further mineralization.

Exploration Objectives

The entire Proterozoic inlier within the Kasbah tenements is considered to be prospective given its location in the core of a regional antiform and the high degree of pervasive alteration related to the emplacement of gold.

The majority of historic work has been focussed within the central permits and there is opportunity for other metalliferous discoveries across the other permits.

As such the exploration objective for Kasbah remains to complete additional surface mapping and sampling to define additional drill targets outside that of the main Jebel Malek gold zone.

2.3 2009 Exploration Activity

To September 2009 Kasbah achieved the following milestones at Tamlalt:

- Completed a ground magnetic survey totalling 236 line kilometres on Permits 36553, 36554, 36555.
- Completed QA/QC assay verification on selected drill hole intersections
- Started relogging and re-interpretation of previous ONHYM drilling
- Collected 426 rock chip samples from Permits 36553 and 36554

2.4 Ground Magnetic Survey

Geophysical consulting group, Resource Potentials was commissioned in November 2008 to carry out the acquisition and processing of a ground magnetic survey. A second follow up survey was completed in May 2009. A total of 236 line kilometres of ground magnetics was collected from the two surveys. Data was collected on 200m line spacing with infill to 100m over the Jebel Malek prospect.

The most prominent feature of the ground magnetics (Figure 15) is the large intense ovoid shaped magnetic high where the known gold mineralisation is located on its southern flank. The size and shape of this feature suggests a buried intrusive that is dipping slightly to the north.

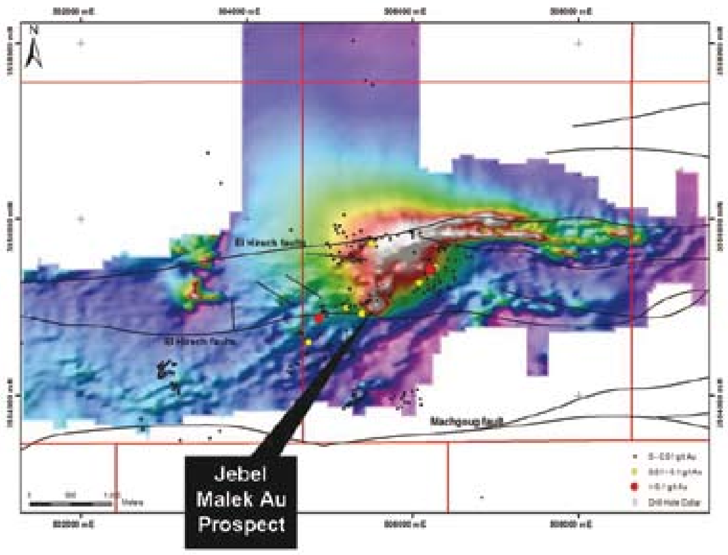

Figure 15 – Ground magnetic TMI image with rock chip samples results centred on the Jebel Malek prospect.

The two E-W oriented magnetic high ridges and intervening low that trend from the main body to the east are part of the stratigraphy. The highs are coincident with outcropping green chlorite/magnetite altered intermediate volcanics and the lows are the felsic volcanics.

The other prominent feature is the sygmoidal shape of the weak magnetic ridges which represent the stratigraphy under cover. Flexures in these features are considered prospective to host mineralisation and in areas of cover will be tested by some trenches, especially near the flanks of the large magnetic high.

2.5 Surface sampling extends strike of Jebel Malek prospect

A total of 426 rock chip samples were collected into two field missions. The first mission was carried out in November 2008 and the second mission was carried out in April 2009

Only two samples returned significant gold grade (> 0.1ppm Au) from both of the missions (Figure 15). The first one located 550 metres WSW of the current drilling returned 1.66 g/t Au from quartz veins associated with the contact of the felsic and intermediate rocks where they trend sub-parallel to the southern splay of the E-W trending El Hirech Fault.

The second one located 400 metres ENE of the current drilling returned 0.65 g/t Au and is associated with the edge of the main magnetic high where it is cut by an ESE trending splay of the El Hirech Fault.

These samples extend the potential total strike length of the Jebel Malek gold prospect to approximately 1.5km. To date only 500m of this strike has been drill tested.

2.6 Drill Holes relogging and assay verification

Drill holes JM01 and JM09 which are the most representative of the ONHYM drilling were relogged and integrated into a first geological section of the Tamlalt gold target (Figure 16 and 17). Relogging of drill holes JM01 and JM09 by Kasbah has confirmed much of the original interpretation. Quarter core was cut and sampled for check assaying of the 60m mineralised zone reported by ONHYM from 60m to 120m in JM01.

Results from the check assays done by fire assay by ALS Chemex Perth confirmed the widespread presence of gold mineralization throughout the interval.

The presence of coarse free gold has positive implications for metallurgical recovery.

In JM09 and JM01 mineralisation appears mainly in the pyrite associated with quartz veining and in the iron oxides in stockwork zones hosted mainly within the quartz porphyry and to a lesser extent the dacite of the upper felsic unit of the bimodal volcanic sequence.

In JM01, drilled mainly in the felsic units, several grains of visible gold were noted in small 2mm oxidised pyrite cubes.

The entire sequence is cut by a prominent 10 metre wide subvertical dipping 066 degree trending shear. This shear is expressed in the topography and coincides with the high ground magnetics.

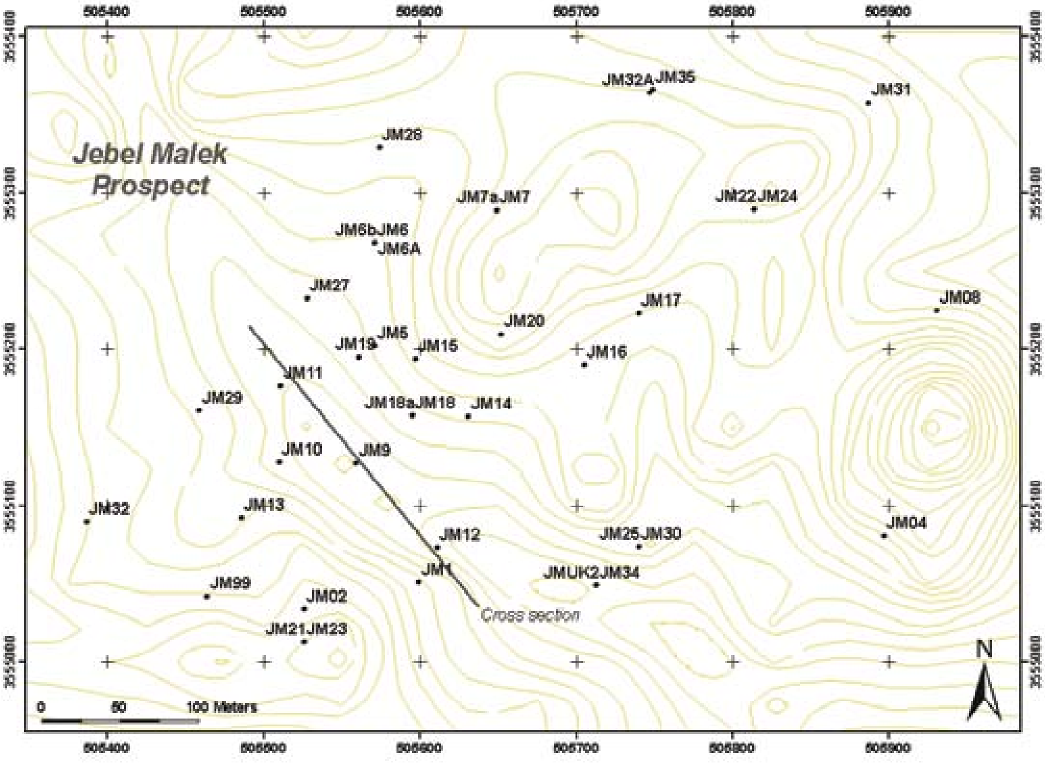

Figure 16 – Jebel Malek Au Prospect - Drill Hole Locations (within PE 36554) and 1 metre contours (WGS84 UTM29) and location of cross section (see Figure 17)

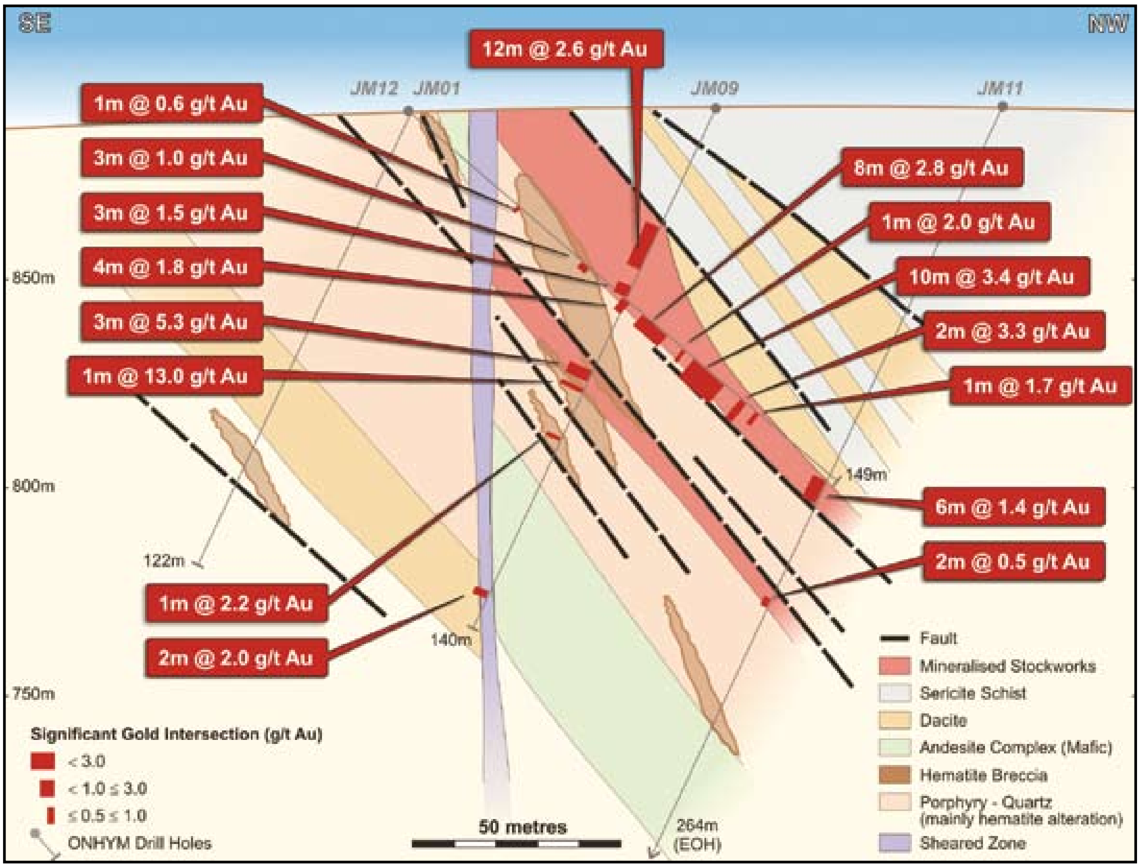

Figure 17 – Jebel Malek Au Prospect – Cross Section

3.0 EL KARIT TIN PROJECT

3.1 Project Overview

The El Karit project is located 100km southeast of Rabat. Access to the project is via sealed road to the regional centre of Maaziz (100km) thence 50km southwest to the village of Oulmès, and 14km along secondary roads to the project area.

Kasbah has an exclusive right to acquire a 100% interest in the El Karit project by completing a positive feasibility study. The project comprises one Exploitation Permit (PE 213160) covering an aggregate area of 16 square kilometres (Figure 18).

Tin mineralisation at El Karit comprises discrete zones along the western margin of the granite-sediment contact located within biotite schists and pods of muscovite-tourmaline bearing granite. Five main zones of tin bearing quartz veining have been identified which, from south to north include Marsouin I, Marsouin II, Hirondelle I, El Karit and Hirondelle II.

3.2 Project Objectives

The objective at El Karit is to define a economic, mineable resource from either the hard rock opportunities at Marsouin I, Marsouin II, Hirondelle I, El Karit and Hirondelle II or the alluvial Tafer Elhaj target.

3.3 2009 Exploration Activity

The prime focus for the company during 2008 / 2009 has been the larger, hard rock Achmmach Tin Project.

Additional work is required to define an economically mineable resource within from the Marsouin I, Marsouin II, Hirondelle I, El Karit and Hirondelle II areas.

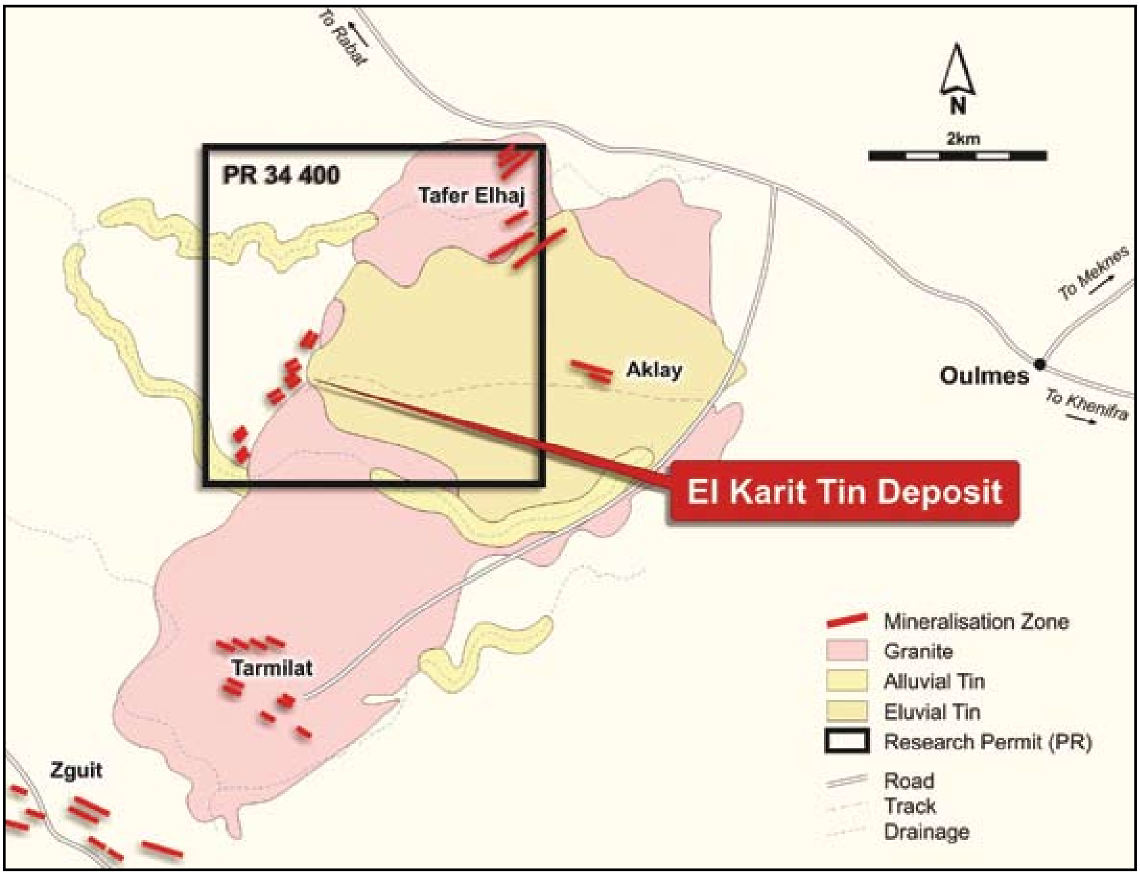

Figure 18 – El Karit Location Map

The information on the Achmmach Mineral Resource contained in this release is based on data compiled by Dr S Carras of Carras Mining Pty Ltd, a Fellow of the Australasian Institute of Mining and Metallurgy who has been involved in resource estimation for over 30 years. Dr Carras has experience which is relevant to the style of mineralisation and type of deposit under consideration and in the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" and consents to the inclusion of the information in the form and context in which it appears.

The information in this report is based on information compiled by Mr. Jeffrey Lindhorst a Member of the Australasian Institute of Geoscientists. Mr. Lindhorst 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. Lindhorst consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Directors' Report

The Directors' present their report, together with the financial report on the consolidated entity ("Kasbah" or the "Group") consisting of Kasbah Resources Limited and the entities it controlled at the end of, or during the year ended 30 June 2009.

DIRECTORS

The Directors of the Company in office during or since the end of the financial year are:

Graeme Walker
Wayne Bramwell
Peter Hepburn-Brown
Rod Marston
Robert Weinberg

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the Group during the year was exploration for tin and other mineral resources. This has involved exploration and evaluation of two tin projects and one gold project in Morocco, North Africa.

DIVIDENDS

There were no dividends paid or payable during the financial year

REVIEW OF OPERATIONS

Drilling operations continued on the flagship Achmmach Tin Project. Kasbah published a new resource statement which saw the Achmmach resource triple in the December 2008 quarter.

There is no work currently being conducted on the El Karit Project until desktop evaluation warrants expenditure on surface exploration.

At Tamlalt there has been a preliminary ground investigation conducted follow up exploration programs are being prepared.

A more extensive review of the projects is contained in the Review of Operations preceding this Directors' Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There have been no significant changes in the Company's state of affairs during the year.

SUBSEQUENT EVENTS

In July 2009 the Company successfully completed a rights issue which saw it raise $2.655m before costs.

INFORMATION ON DIRECTORS

Mr Graeme Walker *BComm, CA, CA (SA), FAICD*

Independent Non-Executive Chairman

Graeme is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors. He was previously CFO of Ampolex Limited and Normandy Mining Limited. He was formerly a director of Gold Mines of Kalgoorlie Limited, Mt Leyshon Gold Mines Limited, Normandy Resources NL and North Flinders Mines Limited. He has expertise in the areas of financial management, dispute resolution, commercial and financial business systems, company secretarial, joint venture management, risk management, taxation and treasury. Graeme was appointed a Director of the Company on 11 May 2006. Graeme is a member of the Audit Committee.

Graeme was the Chairman of Iberian Resources Limited until June 2007 when the company was acquired by Tamaya Resources Ltd. He resigned as a director of Tamaya on 21 February 2008.

Mr Wayne Bramwell *BSc (Mineral Science), Grad Dip Bus, MSC (Mineral Economics)*

Managing Director

Wayne is a Metallurgist and Mineral Economist with over 15 years' experience in operations, project evaluation, acquisition and project development. He has held senior commercial, project management and development positions with Iberian Resources Limited, Breakaway Resources Limited, Harmony Gold (Australia) Pty Limited, Hill 50 Limited and several Australian engineering companies. During 2000 to 2002 he led the acquisition, feasibility study and environmental approvals for the Collingwood Tin Project in Queensland, Australia for Bluestone Nominees. Wayne was appointed a Director of the Company on 31 October 2005.

Wayne has not held any other public company directorships in the last three years.

Mr Peter Hepburn-Brown *BApp Sc (Mining Engineering), Grad Dip HR*

Non-Executive Director

Peter is a Mining Engineer with over 25 years' experience in underground mine development, management and operations. He has held executive and general management positions in companies including Harmony Gold (Australia) Pty Limited, Great Central Mines Limited and Nuigini Mining Limited. During 2005, Peter was part of the management team which redeveloped the Collingwood Underground Tin Mine in Australia. Peter was appointed a Director of the Company on 28 November 2005.

Peter's directorships in the last three years included Alloy Resources Limited.

Dr Robert Weinberg *M.A., DPhil, FGS*

Independent Non-Executive Director

Robert gained his doctorate in geology from Oxford University in 1973 and has more than 30 years' experience of the international mining industry and is an independent mining research analyst and consultant. Prior to his current activities he was Managing Director, Institutional Investment at the World Gold Council, and a Director of Gold Bullion Securities Limited. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities and held senior positions within Societe Generale, and James Capel & Co. Robert was appointed a Director of the Company on 15 November 2006.

Robert is also a non-executive director of Solomon Gold plc, Medusa Mining Ltd and Xcess Platinum Ltd.

Dr Rodney Marston *Bsc (Hons), Ph.D., MAIG, MSEG*

Independent Non-Executive Director

Rod is a geologist with over 35 years' experience in the mineral exploration and mining industry, both in Australia and internationally. He played a key role in the discovery, development and management of the multi-million ounce Damang Gold Mine in Ghana, West Africa. Rod was appointed a Director of the Company on 15 November 2006.

Rod is a non-executive director (and formerly Chairman) of Independence Group NL and was a director of Ranger Minerals Limited prior to its merger with Perilya Limited. Rod is Chairman of the Audit Committee.

COMPANY SECRETARY

The following person held the position of Company Secretary at the end of the financial year:

Mr Peter Youd *CA*
Peter is a Chartered Accountant and Chartered Secretary. He has over 25 years experience in the mining and oil and gas industries. He has worked extensively in Asia, including residing in Indonesia, Singapore and Malaysia. He is also the Chief Financial Officer for the Company.

Peter is non-executive Chairman of ORT Limited and a non-executive director of Rheochem Plc.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF THE COMPANY

The relevant interest of each Director in the share capital of the Company shown in the Register of Directors' Shareholdings as at the date of this report is:

Director	Ordinary Share Fully Paid		Options	
	Direct	Indirect	Direct	Indirect
Graeme Walker	–	400,000	–	3,325,000
Wayne Bramwell	–	13,259,003	–	4,000,000
Peter Hepburn-Brown	–	4,800,000	–	4,000,000
Robert Weinberg	440,000	–	1,875,000	–
Rod Marston	200,000	1,280,000	1,875,000	–

DIRECTORS' MEETINGS

The number of directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year ended 30 June 2009 are:

	Meetings Held	Meetings Attended
Graeme Walker	5	5
Wayne Bramwell	5	5
Peter Hepburn-Brown	5	4
Rob Weinberg	5	4
Rod Marston	5	5

RESULTS

The operating loss of the Group for the financial year after providing for income tax was $3,951,024 (2008: $4,194,422).

The loss of the Company after providing for income tax is $3,988,251 (2008: Loss $4,152,152).

FINANCIAL POSITION

The consolidated net assets of the Group are $6,275,499 (2008: $7,277,701).

The net assets of the Company are $6,301,411 (2008: $7,421,673.) This decrease reflects the exploration cost expensed and not capitalised and other costs incurred by the Company throughout the financial year.

FUTURE DEVELOPMENTS, PROPECTS AND BUSINESS STRATEGIES

Likely developments in the operations of the Company and the expected results of those operations have not been included in this report as the Directors believe, on reasonable grounds, the inclusion of such information would be likely to result in unreasonable prejudice to the Company. The Company is to continue to explore for metals on its properties and seek new properties for exploration and evaluation.

OPTIONS

The number of options for ordinary shares on issue at the date of this report is 21,270,000, all of which are unlisted. Options do not entitle the holder to receive a dividend paid to ordinary shareholders, to vote at shareholder meetings or to participate in any future share issues.

New issues of options in the period were as follows;

Date of Grant	No of options	Exercise Price	Expiry Date
12 July 2008	1,000,000	$0.25	12 July 2013
16 December 2008	1,125,000	$0.25	15 November 2011

REMUNERATION REPORT – Audited

The remuneration report is set out under the following main headings:

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service Agreements
D. Share based compensation
E. Additional information

The information provided in the remuneration report has been audited as required by Section 308 (3C) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

In order to attract and retain executives and consultants of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the board reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations. Remuneration packages are reviewed with due regard to performance and other relevant factors.

Remuneration packages may contain the following key elements

(a) Directors fees;
(b) Salary & Consultancy
(c) Benefits-including provision of superannuation

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. All non-executive directors of the Company have agreed to take their fees in the form of options which vest over a five (5) or three (3) year period. This means there is no cash being paid to non-executive directors from the Company for directors fees.

In November 2006 when these options were issued they represented suitable compensation for non-executive board members when related to the cash fee which could have been paid. The options vest over a period which concludes in November 2010. Further details are contained in Note 17.

Executives are offered a competitive base pay which consists of fixed components. Base pay for senior executives will be reviewed annually to ensure the executives pay is competitive with the market.

Options were issued to executive directors and management in November 2006 which the board believed provided a long term incentive. The options vest over a two year period and are subject to share price hurdles. The full details of the vesting and relevant hurdles are contained in Note 17. Further options were issued to Mr Hepburn-Brown when he became a non-executive director of the Company.

There is no relationship between the Company's current remuneration policy for key management personnel and the Company's performance.

The Company does not have a policy which prevents those granted share based payments as part of their remuneration from entering into other arrangements which limit their exposure to losses which would result from a decrease in the share price.

B Details of Remuneration

Details of the remuneration of directors and the key management personnel (as defined in Corporations Act 2001) of Kasbah Resources Limited are set out in the following tables.

The key management includes the directors as per page 25, Mr Peter Youd as Chief Financial Officer and Company Secretary and Jeffrey Lindhorst as Exploration Manager.

	Short Term Benefits	Post Employment Benefits	Share Based Payments		
Name	**Cash Salary & Fees**	**Super-annuation**	**Share/ Options**	**Total**	**% Performance Related**
2009					
Executive Directors					
Wayne Bramwell	257,693	23,193	–	280,886	–
Non-Executive Directors					
Graeme Walker	–	–	51,773	51,773	–
Peter Hepburn-Brown	17,000	-	2,446	19,446	–
Robert Weinberg	–	–	51,743	51,743	–
Rod Marston	–	–	51,743	51,743	–
Other key management personnel					
Peter Youd (CFO)	181,000	–	76,875	257,875	–
Jeffrey Lindhorst (Expl Man)	176,333	16,230	102,757	295,320	–
Total	632,026	39,423	337,337	1,008,786	–
2008					
Executive Directors					
Wayne Bramwell	225,000	20,250	273,369	518,619	–
Peter Hepburn-Brown	127,042	11,164	273,369	411,575	–
Non-Executive Directors					
Graeme Walker	–	–	51,773	51,773	–
Robert Weinberg	–	–	51,743	51,743	–
Rod Marston	–	–	51,743	51,743	–
Other key management personnel					
Peter Youd (CFO)	135,063	–	145,218	280,281	–
Total	487,105	31,414	847,215	1,365,734	–

C Service Agreements

On appointment to the Board all non-executive directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the Board policies and terms including compensation relevant to the office of director.

Remuneration and other terms of employment for the executive directors are formalised into service agreements. Each of these agreements provide for the provision of performance related bonuses. Peter Youd is contracted through Kingston Vale Pty Ltd as an independent contractor.

A summary of the key conditions of the executives and chief financial officer's contracts is set out as follows;

Wayne Bramwell – Executive Director

- Terms of Agreement – 3 years commencing from the 26 March 2007
- Base Salary exclusive of superannuation of $250,000 to be reviewed annually.
- Compensation to be paid in cash
- Performance related bonuses to be paid at the discretion of the Company
- The Company may terminate the agreement by providing three months written notice.
- On termination a maximum of twelve months salary and all accrued entitlements will be paid to Mr Bramwell.

Jeffrey Lindhorst – Exploration Manager

- Terms of Agreement – continuous subject to 30 days notification of termination.
- Mr Lindhorst has no notice period and no termination benefits to be paid on termination of his services.

Peter Youd – Chief Financial Officer

- Terms of Agreement – Continuous subject to 30 days notification of termination of contract
- A fixed rate of $125 a hour subject to a maximum of 8 hours a day being charged
- Compensation to be paid in cash
- Performance related bonuses to be paid at the discretion of the Company
- A notice period of 30 days must be served by either party.
- There are no termination benefits to be paid on termination of Mr Youd's contract

D Share Based Compensation

Options

Mr Hepburn - Brown was granted options in lieu of a cash fee as a non - executive director. The terms and conditions of each grant of options affecting the remuneration in this or future reporting periods are as follows:

Grant Date	Expiry Date	Exercise Price	Value Per Option at grant date	Date Exercisable
16 December 2008	15 November 2013	$0.25	$0.0065	33% on issue and 33% after each of 1 July 2009 & 2010.

- Options granted carry no dividend and voting rights.
- When exercisable, each option is convertible into one ordinary share in Kasbah Resources Limited.
- Options were issued for nil consideration.

Details of options over ordinary shares in the Company provided as remuneration to each director and each of the key management personnel are set out below.

	2009	2009	2008	2008
Name	**Number of options issued**	**Number of options vested**	**Number of options issued**	**Number of options vested**
Directors				
Graeme Walker	–	2,950,000	–	2,575,000
Wayne Bramwell	–	2,000,000	–	2,000,000
Peter Hepburn-Brown	1,125,000	2,375,000	–	2,000,000
Robert Weinberg	–	1,125,000	–	750,000
Rod Marston	–	1,125,000	–	750,000
Other key management personnel				
Peter Youd	–	2,000,000	1,000,000	1,000,000
Jeffrey Lindhorst	1,000,000	–	–	–

The assessed fair value at the date of grant of options to the individuals is allocated equally over the period from grant to vesting date and the amount is included in the remuneration tables above. Fair values are independently determined using Black-Scholes option pricing model taking into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The following share based payments were made during the year through the issue of equity:

(a) 1,125,000 options were issued to Mr. Hepburn - Brown with an exercise price of $0.25 cents and an expiry date of 11 November 2011. The options are exercisable on the following basis;

- 33% at the date of issue.
- 33% after each of 1 July 2009 and 2010.

Vesting is contingent on continuing service as a non-executive director.

Using the Black-Scholes option valuation methodology, the fair value of the option was calculated. The following criteria were used:
The annualised historical volatility of share prices is calculated as the standard deviation of the log of the differences between share prices, multiplied by an annualisation factor.

Input	Value	Value
Grant Date	16 December 2008	13 July 2008
Share price	$0.03	$0.13
Exercise price	$0.25	$0.25
Expected volatility	100.0%	91%
Expiry date	15 November 2011	14 July 2013
Expected dividends	Nil	Nil
Risk free interest rate	3.0%	5.77%

(b) 1,000,000 options were issued to Mr Lindhorst with an exercise price of $0.25 and an expiry date of 14 July 2013. The options are exercisable on the following basis:

- 50% are exercisable on the first anniversary date of issue; and
- 50% are exercisable on the second anniversary date.

Provided that in the event of Mr Lindhorst's employment agreement being terminated those Options which have not become exercisable in accordance with the above will automatically lapse.

The terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

	Options					
	Year Granted	**Vested %**	**Forfeited %**	**Financial years in which options may vest**	**Minimum total value of grant yet to vest**	**Maximum total value of grant yet to vest**
G S Walker	May 2006	80	–	2010	–	51,773
W C Bramwell	November 2006	100	–	2009	–	–
P Hepburn-Brown	November 2006	100	–	2009	–	–
	December 2008	33	–	2010	–	2,446
				2011	–	2,446
R Weinberg	November 2006	60	–	2010	–	51,743
			–	2011	–	51,743
R Marston	November 2006	60	–	2010	–	51,743
				2011	–	51,743
J Lindhorst	July 2008	50	–	2010	–	3,693

– No Cash bonuses were paid during the year.
– No options were exercised during the year.

E Additional Information

It would be impractical in this exploration phase of the Group's development to provide a measure of executive reward over the performance of the Company to date. More meaningful comparisons can be made once operations progress to development and mining. There is no relationship between the Company's current remuneration policy for key management personnel and the Company's performance.

Share based payments = Options

Further details relating to options are set out below

	A	B	C	D
Name	**Remuneration consisting of options**	**Value at grant date**	**Value at exercise date**	**Value at lapse date**
Graeme Walker	100%	51,773	–	–
Wayne Bramwell	0%	–	–	–
Peter Hepburn-Brown	14.4%	2,446	–	–
Robert Weinberg	100%	51,743	–	–
Rod Marston	100%	51,743	–	–
Key management personnel				
Peter Youd	30%	76,875	–	–
Jeffrey Lindhorst	34.8%	102,757	–	–

A = The percentage of the value of remuneration consisting of options, based on the value at the grant date set out in Column B.
B = The value at grant date calculated in accordance with AASB 2 Share Based Payment of options granted during the year as part of the remuneration.
C = The value at exercise date of options were granted as part of the remuneration and were exercised during the year.
D = The value at lapse date of options were granted as part of the remuneration and lapsed during the year.

This is the end of the audited remuneration report.

SCHEDULE OF MINING TENEMENTS

The Group has negotiated exclusive rights to acquire 100% interests in the following projects currently held by Office National des Hydrocarbures et des Mines (ONHYM):

Achmmach Project

An exclusive right to acquire a 100% interest in the Achmmach project by completing a positive feasibility study. This project is covered by two Exploitation Permits (PE No 2912 and PE No 193172) covering an aggregate area of 32 square kilometres at Achmmach.

Following a positive outcome from the feasibility study, Kasbah intends to progress with the development of the Achmmach project and will complete the acquisition by making the following payments to ONHYM:

- On transfer of the project to Kasbah US $1,000,000;
- Four annual payments of US $1,000,000 commencing from the date of the transfer;
- Total Transfer Price to ONHYM is US $5,000,000; and
- In addition to the cash consideration, a 3% net smelter return royalty is payable to ONHYM once the Achmmach Project commences production.

El Karit Project

An exclusive right to acquire a 100% interest in the El Karit project by completing a positive feasibility study. The project is comprised of one Exploration Permit (PR No 34400) covering an aggregate area of 16 square kilometres. Application has been made to convert the Exploration Permit into an Exploitation Permit.

The agreement allows for a 12 month period to undertake due diligence on the prospect. If, on completion of the due diligence period, Kasbah wishes to move to the second stage of the agreement it must agree a transfer price and payment terms with ONHYM. Once agreed, Kasbah has a further 12 months to complete a feasibility study. If the outcome of the feasibility study is positive and Kasbah wishes to proceed to development, Kasbah will pay the transfer price under the terms agreed and ONHYM will transfer the permit to Kasbah.

Tamlalt Project

100% interest in the Tamlalt Project comprising eight exploration permits covering 128 km2.

Payment of $527,318 deposit had been made in the previous financial year. The balance of $879,367 (Dh 6m) was made on 27 May 2009.

ENVIRONMENTAL REGULATIONS

In the course of its normal exploration activities the Company adheres to environmental regulations imposed upon it by the various regulatory authorities, particularly those relating to ground disturbance and protection of rare and endangered flora and fauna. The Company has complied with all material environmental requirements to the date of this report. The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the first measurement period 1 July 2008 to 30 June 2009 the directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

INSURANCE OF DIRECTORS AND OFFICERS

During the year, the Company has paid an insurance premium in respect of a contract indemnifying the Company's directors and officers. This contract does not permit disclosure of the nature and liability and the amount of the premium.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

The Company was not a party to any such proceedings during the year.

OTHER INFORMATION

The registered office and principal place of business of the Company is 19 Hardy Street, South Perth, Western Australia, 6151.

NON-AUDIT SERVCES

The board of directors, in accordance with advice from the audit committee, is satisfied the provision of non-audit services during the year is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The directors are satisfied the services disclosed below did not compromise the external auditors Independence for the following reason:

The nature of the services provided do not compromise the general principles relating to auditor Independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement APES110 – Code of Ethics for Professional Accountants.

The following fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2009:

	2009 $	2008 $
Audit Services		
BDO Kendalls Audit & Assurance (WA) Pty Ltd		
Audit and review of financial reports	23,268	23,048
Related practices of BDO Kendalls	6,762	–
Total remuneration for audit services	30,030	23,048
Other Services		
Taxation services	32,650	38,650
Total remuneration for other services	32,650	38,650

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's Independence Declaration on page 35 forms part of the Directors' Report for the year ended 30 June 2009. This relates to the audit report, where they state they have issued an independent declaration.

Signed in accordance with a resolution of the Directors.

Wayne Bramwell
Managing Director

Dated at Perth this 29th day of September 2009

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
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ABN 79 112 284 787

29 September 2009

The Directors
Kasbah Resources Limited
19 Hardy Street
SOUTH PERTH WA 6151

Dear Sirs

DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF KASBAH RESOURCES LIMITED

As lead auditor of Kasbah Resources Ltd for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kasbah Resources Ltd and the entities it controlled during the year.

B. McVeigh

Brad McVeigh
Director

BDO Kendalls

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

Income Statements

for the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Revenue from continuing operations	2	233,023	529,249	204,134	529,249
Exploration and development costs		2,133,027	2,288,072	1,513,600	1,704,246
Option based payment expense		337,339	847,215	337,339	847,215
Accounting and Corporate Fees		447,703	303,271	367,685	210,529
Employee benefits expense	3	342,246	387,766	342,246	387,766
Occupancy expense		51,013	64,621	51,013	64,621
Administration costs		161,743	181,740	118,439	169,944
Depreciation and amortisation	3	119,513	67,240	56,865	35,418
Impairment of intercompany loans	23	–	–	1,112,843	875,556
Travel Costs		123,987	189,635	113,326	182,236
Other costs		467,476	394,111	179,029	203,870
Loss before income tax		(3,951,024)	(4,194,422)	(3,988,251)	(4,152,152)
Income tax expense	4	–	–	–	–
Loss for the year		(3,951,024)	(4,194,422)	(3,988,251)	(4,152,152)
Loss attributable to members of the entity		(3,951,024)	(4,194,422)	(3,988,251)	(4,152,152)
Basic loss per share (cents)	15	3.8	4.7		

The options on issue are not considered dilutive in calculating the loss per share and therefore dilutive earnings per share is not presented.

The above income statement should be read in conjunction with the accompanying notes to the financial statements

Balance Sheets

as at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
CURRENT ASSETS					
Cash and cash equivalents	5	4,820,559	5,736,056	4,771,582	5,362,393
Trade and other receivables	6	39,080	184,509	1,688,301	1,697,308
Other current asset	7	40,574	13,510	24,823	–
Total Current Assets		4,900,213	5,934,075	6,484,706	7,059,701
NON-CURRENT ASSETS					
Property, plant and equipment	8	264,972	355,499	69,380	126,245
Exploration & evaluation assets	9	1,406,685	1,406,685	–	1,406,685
Other financial assets	10	–	846,907	28,386	28,386
Total Non-Current Assets		1,671,657	2,609,091	97,766	1,561,316
TOTAL ASSETS		6,571,870	8,543,166	6,582,472	8,621,017
CURRENT LIABILITIES					
Trade and other payables	11	296,371	679,220	281,061	613,099
Total Current Liabilities		296,371	679,220	281,061	613,099
NON CURRENT LIABILITIES					
Payables	12	–	586,245	–	586,245
Total Non-Current Liabilities		–	586,245	–	586,245
TOTAL LIABILITIES		296,371	1,265,465	281,061	1,199,344
NET ASSETS		6,275,499	7,277,701	6,301,411	7,421,673
EQUITY					
Issued capital	13	15,475,850	12,945,200	15,475,850	12,945,200
Reserves	14	2,268,294	1,850,122	2,289,163	1,951,824
Accumulated losses		(11,468,645)	(7,517,621)	(11,463,602)	(7,475,351)
TOTAL EQUITY		6,275,499	7,277,701	6,301,411	7,421,673

The balance sheet is to be read in conjunction with the accompany notes to the financial statements

Statement of Changes in Equity

for year ended 30 June 2009

	Consolidated				Parent Entity			
	Issued Capital $	Retained Earnings $	Other Reserves $	Total Equity $	Issued Capital $	Retained Earnings $	Other Reserves $	Total Equity $
At 1 July 2007	12,945,200	(3,323,199)	1,104,609	10,726,610	12,945,200	(3,323,199)	1,104,609	10,726,610
Currency translation difference	–	–	(101,702)	(101,702)	–	–	–	–
Total income and expense recognised in equity	–	–	(101,702)	(101,702)	–	–	–	–
Loss for the year	–	(4,194,422)	–	(4,194,422)	–	(4,152,152)	–	(4,152,152)
Total recognised income and expense	–	(4,194,422)	(101,702)	(4,296,124)	–	(4,152,152)	–	(4,152,152)
Share based payments	–	–	847,215	847,215	–	–	847,215	847,215
At 30 June 2008	12,945,200	(7,517,621)	1,850,122	7,277,701	12,945,200	(7,475,351)	1,951,824	7,421,673
At 1 July 2008	12,945,200	(7,517,621)	1,850,122	7,277,701	12,945,200	(7,475,351)	1,951,824	7,421,673
Currency translation difference	–	–	80,833	80,833	–	–	–	–
Total income and expense recognised in equity	–	–	–	–	–	–	–	–
Loss for the year	–	(3,951,024)	–	(3,951,024)	–	(3,988,251)	–	(3,988,251)
Total recognised income and expenses	–	(3,951,024)	80,833	(3,870,191)	–	(3,988,251)	–	(3,988,251)
Share based payments	–	–	337,339	337,339	–	–	337,339	337,339
Issue of fully paid shares	2,655,000	–	–	2,655,000	2,655,000	–	–	2,655,000
Cost of equity raising	(124,350)	–	–	(124,350)	(124,350)	–	–	(124,350)
At 30 June 2009	15,475,850	(11,468,645)	2,268,294	6,275,499	15,475,850	(11,463,602)	2,289,163	6,301,411

Cash Flow Statements

for year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Cash flows from operating activities					
Payments to suppliers and employees (inclusive of goods and services tax)		(1,577,903)	(1,497,648)	(2,748,760)	(1,125,952)
Payments for exploration and evaluation (inclusive of goods and services tax)		(2,133,027)	(2,284,868)	–	(1,704,246)
Other receipts		16,359	–	16,359	–
Net cash inflow/(outflow) from operating activities	16	(3,694,571)	(3,782,516)	(2,732,401)	(2,830,198)
Cash flows from investing activities					
Payment for property, plant and equipment		(28,305)	(368,718)	–	(104,410)
Interest received		240,069	500,494	211,180	500,494
Acquisition of exploration and evaluation assets		–	(527,318)	–	(527,318)
Deposits paid		–	(846,907)	–	–
Shares in subsidiaries		–	–	–	(28,836)
Loans to subsidiaries		–	–	(600,240)	(2,510,063)
Net cash inflow/(outflow) from investing activities		211,764	(1,242,449)	(389,060)	(2,670,133)
Cash flows from financing activities					
Proceeds from issue of shares		2,655,000	–	2,655,000	–
Costs associated with share issue		(124,350)	–	(124,350)	–
Net cash inflow/(outflow) from financing activities		2,530,650	–	2,530,650	–
Net increase/(decrease) in cash and cash equivalents		(952,157)	(5,024,965)	(590,811)	(5,500,331)
Cash and cash equivalents at beginning of period		5,736,056	10,862,724	5,362,393	10,862,724
Effect of exchange rates changes on the balances of cash held in foreign currencies at beginning of the financial year		36,660	(101,703)	–	–
Cash and cash equivalents at end of period	5	4,820,559	5,736,056	4,771,582	5,362,393

The above cash flow statements should be read in conjunction with the accompanying notes to the financial statements

Notes to the Financial Statements

for year ended 30 June 2009

Note 1: Statement of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated. The financial report includes separate financial statements for Kasbah Resources Limited as an individual entity ("Company") and the consolidated entity consisting of Kasbah Resources Limited and its subsidiaries ("Group").

(a) Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial report is presented in Australian dollars.

The financial report is presented on a going concern basis.

Compliance with IFRS
Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures the financial statements of Kasbah Resources Limited complies with International Financial Reporting Standards (IFRS).

Historical Cost Convention
These financial statements have been prepared on the accruals basis under the historical cost convention.

The following is a summary of the material accounting policies adopted by the Company and Group in the preparation of the financial report.

(b) Principles of Consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kasbah Resources Limited ("Company" or "Parent Entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Kasbah resources Limited and its subsidiaries together are referred to in the report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights currently exercisable or convertible are considered when assessing whether the Group controls an entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

The investments in the subsidiaries are carried at cost less impairment in the financial statements of the parent.

Note 1: Statement of Significant Accounting Policies (continued)

(c) Accounting Policies

a. **Income Tax**

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items which may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred tax assets are recognised to the extent it is probable future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption no adverse change will occur in income taxation legislation and the anticipation the entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

b. **Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment is measured on the cost basis.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Note 1: Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

b. **Property, Plant and Equipment (continued)**

Depreciation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20 – 33%
Computer equipment	20 – 30%
Motor Vehicles	20 – 30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

At each reporting date, the entity assesses whether there is objective evidence a financial instrument has been impaired.

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

c. **Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income statement in the period in which they are incurred.

Collectability of intercompany balances is assessed at each reporting period, where the subsidiary is net asset deficient (this provides objective evidence an impairment loss has occurred) an allowance for credit loss account is created.

Note 1: Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

d. **Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership is transferred to the entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the year.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged to the income statement on a straight line basis over the period of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

e. **Financial Instruments**

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments not quoted in an active market and are stated at amortised cost using the effective interest rate method. Trade receivables, which generally have 30-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts known to be uncollectible are written off when identified. An allowance for doubtful debts are raised when there is objective evidence the entity will not be able to collect the debt..

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company. Trade accounts are normally settled within 60 days. Payables to related parties are carried at amortised cost. Interest, when charged by the lender, is recognised using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Note 1: Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

f. **Issued capital**

Issued and paid up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

g. **Foreign Currency Transactions and Balances**

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Kasbah Resources Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflation economy) which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of the balance sheet

Income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and

All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings form part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

h. **Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits which are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Equity-settled compensation

The Company issues share-based compensation. This includes a share option arrangement. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the income statement. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted, using an option pricing model.

Note 1: Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

i. **Provisions**

Provisions are recognised when the entity has a legal or constructive obligation, as a result of past events, for which it is probable an outflow of economic benefits will result and the outflow can be reliably measured.

j. **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

k. **Revenue**

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis using the effective interest rate method.

All revenue is stated net of the amount of goods and services tax (GST).

l. **Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

m. **Earnings per share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element. Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period would result
- from the dilution of potential ordinary shares;

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

n. **Segment Reporting**

A business segment is a entity of assets and operations engaged in providing products or services are subject to risk and returns are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular environment and is subject to risk and returns which are different from those of segments operating in other economic environments.

Note 1: Statement of Significant Accounting Policies (continued)

Accounting Policies (continued)

o. **Exploration and Evaluating Expenditure**
Exploration and evaluation costs are generally written off in the year they are incurred except for acquisition of exploration properties.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable resources.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to the area of interest.

The acquisition cost of any areas of interest is capitalised and carried forward. The carrying value is assessed by the directors each year to determine if any provision should be made for the impairment of the carrying value. The appropriateness of the group's ability to recover these capitalised costs has been assessed at year end and the directors are satisfied the value is recoverable.

p. **Comparative Figures**
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical Accounting Estimates and Significant Judgments
The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity. As at 30 June 2009, the only assets or liabilities which are subject to significant accounting estimates and judgments are set out below.

Exploration and Evaluation Expenditure
The cost of $1.4m for the purchase of the Tamlalt property is carried forward to the extent it is expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage permitting reasonable assessment of the existence of economically recoverable resources and further work is intended to be performed.

Share Based payments – refer to note 17 for details on calculation of share based payments.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

Note 2: Revenues

Interest revenue				
– Interest other persons	216,664	529,249	187,775	529,249
Other revenue	16,359	–	16,359	–
	233,023	529,249	204,134	529,249

Note 3: Profit for the Year

Profit before income tax includes the following items:				
Depreciation and amortisation				
– Plant and equipment	96,859	49,753	34,211	17,931
– Amortisation	22,654	17,487	22,654	17,487
	119,513	67,240	56,865	35,418
Lease Rentals	9,840	10,816	9,840	10,816
Superannuation expense	28,227	33,008	28,227	30,008

Note 4: Income Tax Expense

a) Income tax expense/(benefit)				
Current tax	–	–	–	–
Deferred tax	–	–	–	–
	–	–	–	–
b) Reconciliation of income tax expense to prima facie tax payable:				
Profit from continuing operations before income tax expense	(3,951,021)	(4,194,422)	(3,988,251)	(4,152,152)
Tax at the Australian tax rate of 30%	(1,185,307)	(1,258,327)	(1,196,475)	(1,245,646)
Tax effect of amounts not deductible (taxable) in calculating taxable income	655,619	521,281	989,472	521,281
Deferred Tax asset no brought to account on tax losses and temporary differences	529,688	737,046	207,003	724,365
	–	–	–	–
c) Deferred Tax Assets				
Timing differences	387	603	387	603
Tax losses - revenue	955,164	423,655	357,131	148,307
	955,551	424,258	357,518	148,910
Offset against Deferred Tax Liabilities recognised	(1,605)	–	(1,605)	–
Deferred Tax Assets not brought to account	953,946	424,258	355,913	148,910
d) Deferred Tax Liabilities				
Timing differences	1,605	–	1,605	–
Offset by Deferred Tax Assets recognised	(1,605)	–	(1,605)	–
	–	–	–	–

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

Note 5: Cash and Cash Equivalents

Cash at bank and on hand	148,455	731,692	99,478	358,029
Deposits at call	4,672,104	5,004,364	4,672,104	5,004,364
	4,820,559	5,736,056	4,771,582	5,362,393
(a) **Balance as per cash flow statement**	4,820,559	5,736,056	4,771,582	5,362,393

(b) **Cash at bank and on hand**
These bear nominal interest

(c) **Deposits at call**
The deposits are bearing floating interest rates between 1.75% and 3.5%.
These deposits are available at call.

(d) **Risk exposure**
The group and parent entity's exposure to interest rate risk is discussed at Note 24.

Note 6: Trade and other receivables

Other receivables	39,080	184,509	39,080	62,801
Loans to subsidiaries	–	–	1,649,222	1,634,507
VAT receivable	184,439	–	–	–
Impairment of VAT receivable (note a)	(184,439)	–	–	–
	39,080	184,509	1,688,302	1,697,308

As at 30 June 2009 the trade debtors of the company and group were $3,582 (2008: Nil). GST receivable was incurred in the normal course of business and no allowance has been made for non-recovery. Refer to Note 24 for the group and parent entity's credit risk policy. There are no receivables past due or impaired except for the subsidiary loan receivable disclosed below.

(a) Impaired VAT receivable

As at 30 June 2009 the Group had VAT receivable in Morocco of $184,439 (2008: $121,708). The VAT is recoverable against generation of revenue for which the Group would be required to remit VAT. The Company determined that at this stage of exploration it was not yet probable that it would generate this revenue and the whole of the VAT receivable has been treated as impaired.

Note 6: Trade and other receivables (continued)

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Movement in Carrying Value – Loans to Subsidiaries				
Carrying value 1 July	–	–	1,634,507	–
Loans made during the year	–	–	1,127,558	2,510,063
Provisions for impairment	–	–	(1,112,843)	(875,556)
Carrying value 30 June	–	–	1,649,222	1,634,507

Note 7: Other Current Assets

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Prepayments	40,574	13,510	24,823	–

Note 8: Property, plant and equipment

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Plant and equipment – at cost	280,167	251,862	106,167	106,167
Accumulated depreciation	(103,991)	(38,030)	(53,395)	(19,184)
	176,176	213,832	52,772	86,983
Motor Vehicles at cost	114,897	114,897	–	–
Accumulated depreciation	(42,709)	(12,492)	–	–
	72,188	102,405	–	–
Computer software – at cost	58,475	58,475	58,475	58,475
Accumulated amortisation	(41,867)	(19,213)	(41,867)	(19,213)
	16,608	39,262	16,608	39,262
Total Property Plant and Equipment	264,972	355,499	69,380	126,245
Movement in carrying value				
Plant and equipment				
Carrying value 1 July	213,832	19,554	86,983	19,554
Additions	12,940	234,771	–	87,823
Disposals	–	(2,463)	–	(2,463)
Difference due to foreign exchange	15,365	–	–	–
Depreciation expense	(65,961)	(38,030)	(34,211)	(17,931)
Carrying value 30 June	176,176	213,832	52,772	86,983
Motor vehicles				
Carrying value 1 July	102,405	–	–	–
Additions	–	114,897	–	–
Disposals	–	–	–	–
Difference due to foreign exchange	(1)	–	–	–
Depreciation expense	(30,216)	(12,493)	–	–
Carrying value 30 June	72,188	102,405	–	–

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

Note 8: Property, plant and equipment (continued)

Computer Software				
Carrying value 1 July	39,262	37,699	39,262	37,699
Additions	–	19,050	–	19,050
Disposals	–	–	–	–
Amortisation expense	(22,654)	(17,487)	(22,654)	(17,487)
Carrying value 30 June	16,608	39,262	16,608	39,262
Total Property Plant and Equipment	264,972	355,499	69,380	126,245

Note 9: Exploration and Evaluation assets

The exploration and evaluation relates to the economic entity's project at Tamlalt in Morroco

Exploration brought forward at 1 July	1,406,685	–	1,406,685	–
Purchased in year	–	1,406,685	–	1,406,685
Expenditure written off during the year	–	–	–	–
Transfer to controlled entity	–	–	(1,406,685)	–
Expenditure carried forward at 30 June	1,406,685	1,406,685	–	1,406,685

Note 10: Other Financial assets

Investment in subsidiaries – at cost (refer Note 22)	–	–	28,386	28,386
Funds on deposit	–	846,907	–	–
	–	846,907	28,386	28,386

Note 11: Trade and other payables

Trade Payables	196,573	331,556	187,588	278,735
Other Payables and Accruals	99,798	347,664	93,473	334,364
	296,371	679,220	281,061	613,099

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $

Note 12: Payables

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Other Payables and Accruals	–	586,245	–	586,245
	–	586,245	–	586,245

Note 13: Issued Capital

	# of Shares	# of Shares	$	$
Share Capital				
Ordinary Shares	177,000,006	88,500,003	11,725,850	9,195,200
Performance Shares	15,000,003	15,000,003	3,750,000	3,750,000
Total issued capital	192,000,009	103,500,006	15,475,850	12,945,200

		Number of Shares #	$
(a)	**Balance at 1 July 2006**	21,000,003	1,031,282
	21 September 2006 shares issued for working capital at $0.24	6,300,000	1,561,121
	13 February 2007 shares issued for working capital at $0.24	4,450,000	1,117,121
	Sub-total	31,750,003	3,709,524
	On 7 March 2007 a shareholder meeting approved a share split saw every fully paid share divided into two fully paid shares	63,500,006	3,709,524
	Shares converted into Performance Shares at shareholder meeting on 7 March 2007	(15,000,003)	(3,750,000)
	24 April 2007 shares issued under prospectus for admission to the ASX	40,000,000	10,000,000
	Cost of capital raising		(764,324)
	Balance Ordinary Share capital at June 2007	88,500,003	9,195,200
	Equity issued during this financial year	–	–
	Balance Ordinary Share capital at June 2008	88,500,003	9,195,200
	Shares issued pursuant to Entitlement Issue prospectus	88,500,003	2,655,000
	Cost of capital raising	–	(124,350)
	Balance of Ordinary Share capital at June 2009	177,000,006	11,725,850
(b)	**Movements in Performance Shares fully paid**		
	Balance at 30 June 2006	–	–
	Shares converted into Performance Shares at shareholder meeting on 7 March 2007	15,000,003	3,750,000
	Performance Shares at 30 June 2007	15,000,003	3,750,000
	Equity issued during this financial year	–	–
	Performance Shares at 30 June 2007	15,000,003	3,750,000
	Total Issued Capital	192,000,009	15,475,850

Note 13: Issued Capital (continued)

(c) **Ordinary Shares**
Ordinary Shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and mounts paid on the share held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Options have no voting rights and upon exercise each option is converted to an ordinary share. The Company has no authorised capital nor any par value shares.

(d) **Performance Shares**
Performance shares will convert to ordinary shares upon the Company exercising its exclusive option to acquire 100% of the Achmmach Project on or before 14 February 2010. Holders of Performance Shares are not entitled to vote on any resolutions nor do they have entitlement to any dividends.

(e) **Capital Management**
The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. As a junior explorer the Board does not establish a return on capital. Capital management requires the maintenance of strong cash balances to support ongoing exploration expenditure.

There were no changes in the Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

	Consolidated		**Parent Entity**	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
Note 14: Reserves				
Share based payment reserve	2,289,163	1,951,824	2,289,163	1,951,824
Foreign currency Translation reserve	(20,869)	(101,702)	–	–
	2,268,294	1,850,122	2,289,163	1,951,824
Movement in Share based payment reserve				
Balance 1 July	1,951,824	1,104,609	1,951,824	1,104,609
Cost of share based payments	337,339	847,215	337,339	847,215
	2,289,163	1,951,824	2,289,163	1,951,824
Movement in Foreign Currency Translation Reserve				
Balance at 1 July	(101,702)	–	–	
Currency translation differences	80,833	(101,702)	–	–
	(20,869)	(101,702)	–	–

Nature and purpose of reserves;

i) Share based payment reserve
The share based payment reserve is used to recognise the fair value of options issued but not exercised.

ii) Foreign Currency Translation Reserve
Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1 (g).

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

Note 15: Earnings Per Share

Loss per Share

a)	Basic loss per share (cents)	3.8			
b)	Loss for the year	3,951,024			
c)	Weighted average number of ordinary shares and performance shares outstanding during the year used in calculation of basic earnings per share	103,458,910			

The options are not considered dilutive and therefore no diluted earnings per share is disclosed.

Note 16: Cashflow Information

(a) Reconciliation of loss after income tax to net cash flow from operating activities

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Loss for the year	(3,951,024)	(4,194,422)	(3,988,251)	(4,152,152)
Depreciation and amortisation	119,513	67,240	56,865	35,418
Interest income	(240,069)	(500,494)	(211,180)	(500,494)
Loss on disposal of property, plant and equipment	–	3,204	–	–
Impairment of loans	195,470	–	1,112,843	875,556
Option based payment expense	337,339	847,215	337,339	847,215
Changes in operating assets				
– (increase) decrease in trade and other receivables	–	(125,593)	(24,506)	10,046
– (increase) decrease in other current assets	23,405	–	23,405	–
– increase (decrease) in trade creditors	(179,205)	120,335	(38,916)	54,213
Net cash flow from operating activities	(3,694,571)	(3,782,516)	(2,732,401)	(2,830,198)

Note 17: Share Based Payments

The following share-based payments arrangement existed at 30 June 2009.

(a) 5,625,000 options are on issue to the directors with an exercise price of $0.25 cents and expiry dates of 11 May 2011 (1,875,000 options) and 15 November 2011 (3,750,000 options). The options are exercisable on the following basis;

- 20 percent of the options were exercisable on issue
- 20 percent of the options are exercisable on the first anniversary and each subsequent anniversary of the Director's appointment.

(b) 9,000,000 options were issued on 15 November 2006 to the executive directors and the chief financial officer with an exercise price of $0.25 cents and an expiry date of 15 November 2011. The first tranche of 4,500,000 options required the Kasbah share price to be 37.5 cents for five consecutive days to be exercised and were only exercisable after the first anniversary of issue of the options. The second tranche of 4,500,000 options require the Kasbah share price to be 50 cents for five consecutive days to be exercised and are only exercisable after the second anniversary of the options being issued.

Note 17: Share Based Payments (continued)

(c) 500,000 options granted in 2006 were subsequently varied resulting in 1,450,000 options being on issue with an exercise price of $0.20 cents and an expiry date of 11 May 2011.

The following share based payments were made during the period through the issue of equity:

(d) 1,125,000 options were issued to Mr. Hepburn - Brown during the 2008 year with an exercise price of $0.25 cents and an expiry date of 15 November 2011. The options are exercisable on the following basis;

- 33% at the date of issue.
- 33% after 1 July 2009 & 2010.

(e) 1,000,000 options were issued to Mr Lindhorst with an exercise price of $0.25 and an expiry date of 14 July 2013. The options are exercisable on the following basis:

- 50% are exercisable on the first anniversary date of issue; and
- 50% are exercisable on the second anniversary date.

Provided that in the event of Mr Lindhorst's employment agreement being terminated those Options which have not become exercisable in accordance with the above will automatically lapse.

Using the Black-Scholes option valuation methodology, the fair value of the option was calculated. The following criteria were used:

Input	**Value**	**Value**
Grant Date	16 December 2008	13 July 2008
Share price	$0.03	$0.13
Exercise price	$0.25	$0.25
Expected volatility	100.0%	91%
Expiry date	15 November 2011	14 July 2013
Expected dividends	Nil	Nil
Risk free interest rate	3.0%	5.77%

	2009 Number of Options $	**2009 Weighted Average Price $**	**2008 Number of Options $**	**2008 Weighted Average Price $**
Outstanding at the beginning of the year	19,145,000	–	18,145,000	–
Issued	2,125,000	0.25	1,000,000	0.35
Forfeited	–	–	–	–
Exercised	–	–	–	–
Expired	–	–	–	–
Outstanding at year end	21,270,000	0.256	19,145,000	0.257
Exercisable at year end	14,270,000	–	6,150,000	–

The options outstanding at 30 June 2009 had a weighted average exercise price of $0.246 and a weighted average contractual life of 2.75 years.

The weighted average fair value of the options granted during the year was $0.535.

The price was calculated by using Black and Scholes option pricing model for Mr Hepburn-Brown and the Trinomial Model for Mr Lindhorst.

The annualised historical volatility of share prices is calculated as the standard deviation of the log of the differences between share prices multiplied by an annualisation factor.

Note 18: Contingent Liabilities and Contingent Assets

Should the Company proceed to production on any of its projects it will be required to pay a 3% net smelter royalty to the Moroccan government.

Should the Company exercise the Achmmach option it is required to pay US$1m on transfer and four annual payments of US$1m on each anniversary of the transfer date.

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	$	$	$	$

Note 19: Capital, Leasing and Remuneration Commitments

Non Cancellable Operating Leases contracted for but not capitalised in the Financial Statements.

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
(a) Non Cancellable Operating Leases contracted for but not capitalised in the Financial Statements				
Office equipment leases due within one year	8,195	9,834	8,195	9,834
Office equipment leases due later than one year but later than five years	–	8,195	–	8,195
Office equipment leases due later than five years	–	–	–	–
Total	8,195	18,029	8,195	18,029
(b) Capital Expenditure Commitments				
Capital expenditure commitments contracted for projects:	–	879,367	–	879,367

This amount represents the amount payable for the acquisition of the Tamlalt Gold project in Morocco.

(c) Remuneration Commitments

Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable:

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Within one year	187,500	250,000	187,500	250,000
Later than one year and not later than five years	–	187,500	–	187,500
Later than five years	–	–	–	–
	187,500	437,500	187,500	437,500

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in section C of the remuneration report on page 29 not recognised as liabilities and are not included in the key management personnel compensation.

Note 20: Events after Balance Sheet Date

In July 2009 the Company completed a 1:1 entitlement issue. This resulted in the allotment and issue of 88,500,003 ordinary fully paid shares on 6 July 2009. This issue raised $2,655,000 before costs. The financial report reflects this transaction as at 30 June 2009.

Note 21: Segment Information

The Company has two geographical areas in which it will operate, being Australia and Morocco. The Company operates in only one business segment, mineral exploration.

2009	**Australia**	**Morocco**	**Unallocated**	**Total**
Segment Revenue				
Other Revenue	–	–	233,023	233,023
Total Segment Revenue	–	–	233,023	233,023
Segment Result	(2,875,408)	(1,075,616)	–	(3,951,024)
Unallocated Revenue less				
Unallocated Expenses	–	–	–	–
Profit Before Tax	(2,875,408)	(1,075,616)	–	(3,951,024)
Segment Assets	135,828	1,615,483	–	1,751,311
Unallocated Assets	–	–	4,820,559	4,820,559
Total Asset	135,828	1,625,483	4,820,559	6,571,870
Segment Liabilities	281,061	15,310	–	296,371
Unallocated Liabilities	–	–	–	–
Total Liabilities	281,061	15,310	–	296,371
Other segment information				
Acquisitions of property, plant and equipment				
Unallocated	–	–	–	–
Total Acquisitions	–	–	–	–
Depreciation and Amortisation	56,865	62,648	–	119,513
Unallocated	–	–	–	–
Total Depreciation and Amortisation	56,865	62,648	–	119,513

Note 21: Segment Information (continued)

2008	Australia	Morocco	Unallocated	Total
Segment Revenue				
Other Revenue	–	–	529,249	529,249
Total Segment Revenue	–	–	529,249	529,249
Segment Result	(3,805,845)	(917,826)	529,249	(4,194,422)
Unallocated Revenue less				
Unallocated Expenses	–	–	–	–
Profit Before Tax	(3,805,845)	(917,826)	529,249	(4,194,422)
Segment Assets	1,624,117	1,182,993	–	2,807,110
Unallocated Assets	–	–	5,736,056	5,736,056
Total Asset	1,624,117	1,182,993	5,736,056	8,543,166
Segment Liabilities	1,199,344	66,121	–	1,265,465
Unallocated Liabilities	–	–	–	–
Total Liabilities	1,199,344	66,121	–	1,265,465
Other segment information				
Acquisitions of property, plant and equipment	104,410	264,308	–	368,718
Exploration expenditure	–	527,318	–	527,318
Unallocated	–	–	–	–
Total Acquisitions	104,410	791,626	–	896,036
Depreciation and Amortisation	35,418	31,822	–	67,240
Unallocated	–	–	–	–
Total Depreciation and Amortisation	35,418	31,822	–	67,240

Note 22: Details of Controlled Entities and the Company

	Book Vale of Investment		Interest held by the economic entity	
	2009	2008	2009 %	2008 %
Kasbah Gold SARL	14,193	14,193	100	100
Hamada Minerals SARL	14,193	14,193	100	100

Both the above entities are incorporated in the Kingdom of Morocco. The shares are fully paid ordinary shares.

Note 23: Related Party Transactions

(a) Parent entity
Kasbah Resources Limited is the ultimate Australian parent company.

(b) Subsidiaries
Interests in subsidiaries are set out in note 22.

(c) Key management personnel
Disclosures relating to key management personnel are set out in note 25.

(d) Outstanding balances arising from sale/purchase of goods and services
Balances outstanding at the reporting date in relation to transactions with related parties are disclosed below.

(e) Terms and conditions
All related party transactions were made on normal commercial terms and conditions except that there are no fixed terms for repayment of loans between the parties and no interest is charged on loans.

(f) Transactions with related parties
The following transactions occurred with related parties:

	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Consulting				
Sabre Ventures	29,250	10,125	29,250	10,125
Consulting				
Mr Peter Hepburn-Brown	17,000	3,000	17,000	3,000
	46,250	13,125	46,250	13,125

A director, Mr Wayne Bramwell, is a director and shareholder of Sabre Ventures Pty Ltd (Sabre). Sabre was paid for secretarial and support services to Kasbah during the year of $29,250 (2008: $10,125).

Mr Peter Hepburn-Brown became a non-executive director of the Company in June 2008. He has been paid consulting fees of $17,000 (2008: $3,000) in relation to consulting services performed outside his role as a director.

Note 23: Related Party Transactions (continued)

(g) Loans to/from related parties

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Loans to subsidiaries				
Beginning of the year	–	–	2,510,063	–
Loans advanced	–	–	1,127,558	2,510,063
Loans repaid	–	–		–
Impairment recognised	–	–	(1,988,399)	(875,556)
End of year	–	–	1,649,222	1,634,507

Aggregate amounts payable to key management personnel at balance date relating to the above types of transactions.

	Consolidated 2009 $	Consolidated 2008 $	Parent Entity 2009 $	Parent Entity 2008 $
Current Liabilities	–	3,000	–	3,000

Note 24: Financial risk management policies and objectives

Financial Risk Management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the group through regular reviews of the risks.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's surplus cash investments. For the Company it arises from receivables due from subsidiaries and surplus cash investments.

In Australia funds are deposited with Westpac which has a AA credit rating and in Morocco with Societe Generale which has an A+ credit rating. Only sufficient funds to cover one quarter's funding requirements are maintained in Morocco.

Note 24: Financial risk management policies and objectives (continued)

Trade and other receivables

The Group operates in the mining exploration sector, has limited trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

The Group has paid VAT in Morocco. Recovery of the VAT is contingent on the Group generating sufficient revenue in Morocco to offset the VAT paid. As there is no certainty of generating this revenue the whole of the VAT receivable has been treated as impaired.

The Company has established an allowance for impairment which represents their estimate of incurred losses in respect of receivables due from subsidiaries. Refer to Note 23 (g) for reconcilliation.

Presently, the Group undertakes exploration and evaluation activities exclusively in Morocco. At the balance sheet date there were no significant concentrations of credit risk.

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Carrying amount			
	Consolidated		Parent Entity	
	2009 $	2008 $	2009 $	2008 $
Loans and receivables	8,932	875,662	1,658,154	1,663,262
Cash and cash equivalents	4,820,559	5,736,405	4,771,582	5,362,393

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The decision on how the Company will raise future capital will depend on market conditions existing at that time.

- Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

  The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Consolidated 30 June 2009

	Carrying amount	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	278,760	278,760	–	–	–	–
	278,760	278,760	–	–	–	–

Note 24: Financial risk management policies and objectives (continued)

Consolidated 30 June 2008

	Carrying amount	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,222,540	636,295	–	293,122	293,123	–
	1,222,540	636,295	–	293,122	293,123	–

Company 30 June 2009

	Carrying amount	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	266,441	266,441	–	–	–	–
	266,441	266,441	–	–	–	–

Company 30 June 2008

	Carrying amount	6 mths or less	6-12 mths	1-2 years	2-5 years	More than 5 years
Trade and other payables	1,169,719	290,352	293,122	293,122	293,123	–
	1,169,719	290,352	293,122	293,122	293,123	–

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group is exposed to currency risk on investments, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), but also the United States dollars (USD) and Moroccan dirham (MAD). The currencies in which these transactions primarily are denominated are AUD, USD and MAD.

The Group has inter-company loans which continue to be exposed to foreign currency risk between the AUD and the MAD.

Note 24: Financial risk management policies and objectives (continued)

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

In AUD	30 June 2009 MAD	30 June 2008 MAD
Cash & cash equivalents	48,979	373,663
Funds on deposit	–	846,907
Trade payables	(15,310)	(52,821)
Net balance sheet exposure	33,669	1,167,749

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts

In AUD	30 June 2009 MAD	30 June 2008 MAD
Cash & cash equivalents	–	–
Funds on deposit	–	–
Trade payables	–	–
Net balance sheet exposure	–	–

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 30 June would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

	Consolidated		Company	
	Equity	Profit or Loss	Equity	Profit or Loss
30 June 2009				
MAD	–	97,784	–	–
30 June 2008				
MAD	–	44,276	–	–

A 10 percent weakening of the Australian dollar against the above currencies at 30 June would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Note 24: Financial risk management policies and objectives (continued)

Interest rate risk

The Group is exposed to interest rate risk. The Company's exposure to market interest rates relates primarily to cash and cash equivalents held in Australian financial institutions. At 30 June 2009 all cash and cash equivalents in Australian were with one financial institution, Westpac Banking Corporation.

At the reporting date, if interest rates had been 50 basis points (0.05%), higher or lower and all other variables were held constant, the Company's net profit would increase by $2,400 or decrease by $2,400 (2008: $28,681). This is mainly attributable to the Group's exposure to interest rates on its deposits.

Consolidated *AUD*	**30 June 2009** Balance	**30 June 2009** Weighted Average Interest Rate %	**30 June 2008** Balance	**30 June 2008** Weighted Average Interest Rate %
Cash and cash equivalents	4,820,559	1.27	5,736,056	7.5
Cash on deposit	–	–	846,907	7.5
	4,820,559		6,582,963	

Parent Entity *AUD*	**30 June 2009** Balance	**30 June 2009** Weighted Average Interest Rate %	**30 June 2008** Balance	**30 June 2008** Weighted Average Interest Rate %
Cash and cash equivalents	4,771,582	1.27	5,362,393	7.5
	4,771,582		5,362,393	

The fair value of all financial assets and financial liabilities which are current approximates their carrying values because of the short term nature of these items.

Note 25: Key management Personnel Compensation

a. Key management personnel remuneration

	2009 $	**2008 $**
Short-term employee benefits	632,026	487,104
Post employment benefits	39,423	31,414
Long term employment benefits	–	–
Share based payments	337,337	847,215
	1,008,786	1,365,733

Note 25: Key management Personnel Compensation (continued)

b. **Options and Rights Holdings**
Number of Options Held Directly or Indirectly by Key Management Personnel

	Balance 1.7.2008	Issued as Compen-sation	Options Exer-cised	Net Change Other	Balance at 30.6.2009	Balance Nominally Held
Graeme Walker	3,325,000	–	–	–	3,325,000	3,325,000
Wayne Bramwell	4,000,000	–	–	–	4,000,000	4,000,000
Peter Hepburn-Brown	4,000,000	1,125,000	–	1,125,000	5,125,000	5,125,000
Robert Weinberg	1,875,000	–	–	–	1,875,000	1,875,000
Rodney Marston	1,875,000	–	–	–	1,875,000	1,875,000
Peter Youd	2,000,000	–	–	–	2,000,000	2,000,000
Jeffrey Lindhorst	–	1,000,000	–	1,000,000	1,000,000	1,000,000
Total	17,075,000	2,125,000	–	2,125,000	19,200,000	19,200,000

	Balance 1.7.2007	Issued as Compen-sation	Options Exer-cised	Net Change Other	Balance at 30.6.2008	Balance Nominally Held
Graeme Walker	3,325,000	–	–	–	3,325,000	3,325,000
Wayne Bramwell	4,000,000	–	–	–	4,000,000	4,000,000
Peter Hepburn-Brown	4,000,000	–	–	–	4,000,000	4,000,000
Robert Weinberg	1,875,000	–	–	–	1,875,000	1,875,000
Rodney Marston	1,875,000	–	–	–	1,875,000	1,875,000
Peter Youd	1,000,000	1,000,000	–	–	2,000,000	2,000,000
Total	16,075,000	1,000,000	–	–	17,075,000	17,075,000

The Net Change Other reflected above includes those options have been forfeited by holders as well as options issued during the year under review

c. **Shareholdings**
Number of Shares held Directly or Indirectly by Key Management Personnel

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2009	Balance Nominally Held
Graeme Walker	200,000	–	–	200,000	400,000	416,000
Wayne Bramwell	8,450,002	–	–	4,809,001	13,259,003	13,755,003
Peter Hepburn-Brown	4,800,000	–	–	–	4,800,000	4,800,000
Robert Weinberg	100,000	–	–	–	100,000	100,000
Rodney Marston	340,000	–	–	1,140,000	1,480,000	1,480,000
Peter Youd	1,210,500	–	–	2,000,000	3,210,500	3,210,500
Jeffrey Lindhorst	–	–	–	–	–	–
Total	15,100,502	–	–	8,149,001	23,249,503	23,761,503

Note 25: Key management Personnel Compensation (continued)

	Balance 1.7.2007	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2008	Balance Nominally Held
Graeme Walker	200,000	–	–	–	200,000	208,000
Wayne Bramwell	8,400,002	–	–	50,000	8,450,002	8,450,002
Peter Hepburn-Brown	4,800,000	–	–	–	4,800,000	4,800,000
Robert Weinberg	100,000	–	–	–	100,000	100,000
Rodney Marston	340,000	–	–	–	340,000	340,000
Peter Youd	1,203,000	–	–	7,500	1,210,500	1,210,500
Total	15,043,002	–	–	57,500	15,100,502	15,108,502

* Net Change Other refers to shares purchased or sold during the financial year.

d. **Loans**
There were no loans to Key Management Personnel at the year end.

e. **Other Transactions with Key Management Personnel**
Refer to Note 23(f) for details of other transactions with Key Management Personnel.
Refer to note 17(d) for share based payments to Key Management Personnel.

Note 26: Auditor's Remuneration

During the year the following fees were paid or payable for services provided by the audior of the parent entity, its related practices and non-related audit firms:

		Consolidated		Parent Entity	
		2009 $	2008 $	2009 $	2008 $
(a)	BDO Kendalls Audit & Assurance (WA) Pty Ltd Audit and review of financial reports	23,268	23,048	23,268	23,048
	Total remuneration for audit and other compliance services	23,268	23,048	23,268	23,048
(b)	Related practices of BDO Kendalls Audit & Assurance (WA) Pty Ltd Taxation compliance services	32,650	38,650	32,650	38,650
	Total remuneration for taxation	32,650	38,650	32,650	38,650
(c)	Non- BDO Kendalls Audit & Assurance (WA) Pty Ltd audit firms Audit and other assurance services	6,762	–	–	–
	Total remuneration for non BDO Kendalls Audit & Assurance (WA) Pty Ltd audit firms	6,762	–	–	–
	Total Auditors' remuneration	62,680	61,298	55,918	61,698

Note 27: New Accounting Standards and Interpretation

Australian Accounting Standards that have recently been issued or amended but are not yet effective for the Company and have not been adopted for the reporting period ended 30 June 2009 are as follows:

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date of standard:	Impact on Initial Application
AASB 123 (revised Jun 2007)	Borrowing Costs	To the extent that borrowing costs are directly attributable to the acquisition, construction or production of a qualifying asset, the option of recognising borrowing costs immediately as an expense has been removed. Consequently all borrowing costs for qualifying assets will have to be capitalised.	Periods commencing on or after 1 January 2009	The transitional provisions of this standard only require capitalisation of borrowing costs on qualifying assets where commencement date for capitalisation is on or after 1 January 2009. As such, there will be no impact on prior financial statements when this standard is adopted.
AASB 2008-1 (issued Feb 2008)	Amendments to AASB 2 – Share based Payments – Vesting Conditions and Cancellations	The definition of *vesting conditions* has changed and the accounting treatment clarified for cancellations to share-based payment arrangements by the counterparty. This is to ensure that conditions other than performance conditions do not result in a 'true up' of the share-based payment expense and are treated in a manner similar to market conditions.	Periods commencing on or after 1 January 2009	To date the entity has not issued any options to employees that include non-vesting conditions and as such there will be no impact on the financial statements when this revised standard is adopted for the first time.
AASB 8 (issued Feb 2007)	Operating Segments	Replaces the disclosure requirements of AASB 114: *Segment Reporting.*	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, disclosures required for the operating segments will be significantly different to what is currently reported (business and geographical segment).
AASB 101 (Revised Sep 2007)	Presentation of Financial Statements	Amendments to presentation and naming of the financial statements.	Annual reporting periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, there will be various changes to the way financial statements are presented and various changes to names of individual financial statements.

Note 27: New Accounting Standards and Interpretation. (continued)

AASB reference	Title and Affected Standard(s):	Nature of Change	Application date of standard:	Impact on Initial Application
AASB 2009-2 (issued April 2009)	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments	Requires additional disclosures about financial instrument fair values and liquidity risk.	Periods commencing on or after 1 January 2009	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about fair values of financial instruments and the entity's liquidity risk. No comparative disclosures are required in the first year that these amendments are applied.
AASB 136	Impairment of Assets	Additional disclosure requirements about discounted cash flow assumptions used for the fair value less costs to sell method.	Periods commencing on or after 1 January 2009	There will be no financial impact when these amendments are first adopted because these amendments relate to additional disclosure requirements only.
AASB 107	Cash Flow Statements	Clarifies that only expenditures that result in a recognised asset in the balance sheet are eligible for classification as cash flows from investing activities.	Periods commencing on or after 1 January 2010	Initial adoption of this amendment will have no impact as the entity only recognised cash flows from investing activities for expenditures that result in a recognised asset in the balance sheet.

The Directors have assessed the impact of these new or amended Standards and Interpretations (to the extent relevant to the entity) and no such revisions or new Standards and Interpretations are expected to have any material impact on the accounting policies of the entity.

The application date of the standards listed represents the same date the Group will apply the new standards.

Note 28: Subsequent Events

In July 2009 the Company successfully completed a rights issue which saw it raise $2.655m before costs.

Declaration by Directors

The directors of the company declare:

1. The financial statements, comprising the income statement, balance sheet, cash flow statement, statement of changes in equity, accompanying notes, are in accordance with the Corporations Act 2001 and:

    a. comply with Accounting Standards and the Corporations Regulations 2001; and

    b. give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on date of the company and the consolidated entity.

2. In the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included in pages 27 to 32 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2009, comply with section 300A of the Corporations Act 2001.

4. The directors have been given the declarations by the Managing Director and former Chief Financial Officer required by section 295A.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Wayne Bramwell
Managing Director

Dated this 29th day of September 2009.

BDO Kendalls

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Independent Auditor's Report

To the members of Kasbah Resources Limited

We have audited the accompanying financial report of Kasbah Resources Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

BDO Kendalls

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Kasbah Resources Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Kasbah Resources Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.

BDO Kendalls Audit & Assurance (WA) Pty Ltd

BDO Kendalls

Brad McVeigh
Director

Dated this 29th day of September 2009
Perth, Western Australia

Board of Directors and Corporate Governance

The Board of Directors of Kasbah Resources Limited (Kasbah or Company) is responsible for the Corporate Governance of the Company and is committed to applying the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles). The Board guides and monitors the business and affairs of Kasbah on behalf of the shareholders by whom they are elected and to whom they are responsible.

To ensure the Board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of Directors and for the operation of the Board.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three Directors;
- A majority of non-executive Directors with at least two being independent;
- The Board should comprise Directors with an appropriate range of qualifications and expertise.

The Directors in office at the date of this statement are:

Name	Role	Non-executive	Independent
Mr Graeme Walker	Non-Executive Chairman	Yes	Yes
Mr Wayne Bramwell	Managing Director	No	No
Mr Peter Hepburn Brown	Non-Executive Director	Yes	No
Mr Robert Weinberg	Non-Executive Director	Yes	Yes
Mr Rod Marston	Non-Executive Director	Yes	Yes

Nomination Committee

The Board of directors believe the company is not of the size to warrant a nomination committee and therefore allocate the appropriate time as required at board meetings.

Remuneration Committee

The Board is responsible for determining and reviewing compensation arrangements for the Executive Directors and the Key Management team. The Board has not established a Remuneration Committee as the company is not of the size to warrant a remuneration committee.

Audit Committee

The Board has established an Audit Committee, which operates under a charter approved by the Board. It is the Board's responsibility to ensure an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The Board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the Audit Committee.

The Audit Committee also provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The Audit Committee is also responsible for:

- Review and report to the Board on the annual and half year financial reports, the financial section of quarterly reports and all other financial information published by the Company, prior to release to members and other public forums;
- Assist Board in reviewing the effectiveness of the organisations internal control environment covering:
  - Effectiveness and efficiency of operations
  - Reliability of financial reporting
  - Compliance with applicable laws and regulations
  - Monitoring of corporate risk assessment processes;
- Co-ordinate the audit with the external auditor including reviews of internal control measures;
- Review the audit plan with the external auditor;
- Review and approve significant non-mandatory accounting policy changes;
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and the auditors independence, and consider if appropriate, the rotation of audit partners; and
- Review the level of non-audit services provided by the external auditor and ensure it does not adversely impact on auditor independence.

The members of the Audit Committee comprise the following:

Rod Marston
Graeme Walker

Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, the Board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the Company is delegated by the Board to the Executive Directors and the Key Management team. The Board ensures this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Executive Directors and the Key Management team.

The Board is responsible for ensuring the management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committees referred to above, these mechanisms include the following:

- Contributing to the development of and approving corporate strategy;
- Appointing, assessing the performance of and, if necessary removing the Managing Director/ CEO;
- Contributing to the performance assessment of members of the senior management team;
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives;
- Overseeing and monitoring:
  - Organisational performance and the achievement of strategic goals and objectives;
  - Compliance with the Company's code of conduct;

- Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments;
- Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor;
- Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and monitoring and reporting procedures for these systems are effective;
- Enhancing and protecting the Company's reputation;
- Approving, major capital expenditure, capital management, acquisitions and divestments;
- Reporting to shareholders;
- Appointment of directors; and
- Any other matter considered desirable and in the interest of the shareholders.

Monitoring of the Board's Performance and Communication to Shareholders

In order to ensure the Board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed annually by the chairperson.

The Board of Directors aims to ensure the shareholders, on behalf of whom they act, are informed of all information necessary to assess the performance of the Directors. Information is communicated to the shareholders through:

- The annual report which is distributed to all shareholders;
- The half-yearly report available to all shareholders; and
- The annual general meeting and other meetings called to obtain approval for Board action as appropriate.

The Kasbah Website – Corporate Governance

The Company publishes information relating to Kasbah's corporate governance policies and practices on its website at http://www.kasbahresources.com.

The ASX Principles

The ASX principles are an important regulatory guide for listed companies reporting on their corporate governance practices. Under ASX Listing Rule 4.10.3, listed companies must disclose the extent to which they have followed ASX Principles and if any of the recommendations have not been followed then the company must explain why not.

The requirements under ASX Listing Rule 4.10.3 apply to Kasbah and the Company sets out and explains any departures by Kasbah from the ASX Principles below.

1. Lay solid foundations for management and oversight

The ASX Corporate Governance Council states a company should "Recognise and publish the respective roles and responsibilities of board and management".

The Board has adopted a formal charter which sets out the responsibilities reserved by the Board and those delegated to the Executive Officers. The charter is reviewed annually to ensure it remains consistent with accepted practice in the context of the Board's objective and responsibilities. Specifically, the Board is charged with: setting the strategic direction of the Kasbah and monitoring management's performance within the framework; reviewing whether there are adequate resources available to meet

Kasbah objectives; appointing and removing Executives and overseeing succession plans for the Key Management team; approving and monitoring financial reporting and capital management; approving and monitoring the progress of business objectives; assessing the risk management framework and whether appropriate procedures are being followed; ensuring Kasbah has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility; and monitoring whether the Board is appropriately skilled to meet the changing needs of the Company.

The Chairman is responsible for leading the Board in its duties, facilitating effective discussions at board meetings, ensuring procedures are in place to evaluate board performance and overseeing shareholder communications. The Executive Directors are responsible for the efficient and effective operation of Kasbah, and for bringing material and other relevant matters to the attention of the Board in an accurate and timely manner.

2. Structure the Board to add value

The ASX Corporate Governance Council states a company should “Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties”.

Skills
A requirement for the Kasbah Directors is an understanding of exploration in the mining sector. All Directors meet this threshold requirement. They also bring a diverse range of skills, and backgrounds including investment banking and stockbroking, financial regulation, technology, law and public policy as well as international business skills. The Board currently consists of five Directors. The experience and qualification of each Director and their terms of office are further discussed on pages 3 and 4.

Experience
The Directors have an appropriate mix of tenure, blending experience with new membership. The Board considers this mix invaluable. Given the nature of Kasbah’s business, longstanding involvement and experience in the resources sector is highly desirable to bring the skills, experience and judgement required for effective decision-making. The Board considers the Directors exercise independent judgement in the task of enhancing shareholder value.

Appointment and removal
Board succession planning is considered an important part of the governance process. Progressive and orderly renewal of board membership is important. The appointment of Directors is governed by the Kasbah Board and the Appointment of Non-executive Directors Policy sets out the procedures followed when considering the appointment of new Directors.

Stakeholder perspectives
An important function of Directors is to bring the perspective of stakeholders to the oversight of a company. Kasbah Directors bring many perspectives to the Board’s deliberations including those of members of the investment community and the views and interests of employees.

Independence
The Company currently has a majority of independent Directors. The Board considered given the Company’s stage of development and resources available it was appropriate at this time to have a majority non-executive Board, in the interests of maximising efficiency of the Board and developing the Company’s business.

An independent Director is a non-executive Director and:

- is not a substantial shareholder of the Company or an officer of, or directly or indirectly associated with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment;

- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee material associated with the service provided;
- is not in a material contractual relationship with the Company or another group member other than as a Director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interest of the Company;
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the Company.

The Company has not considered the Company's materiality thresholds for assessing independence on the basis of the Company's stage of development and the Board is currently a majority non-executive.

In light of the above, all of Kasbah's Non-executive Directors, apart from Mr Peter Hepburn-Brown, are considered by Kasbah to be independent Directors.

As circumstances change Directors table any change in outside interests at a meeting of the Board. Where it is considered a Director had a material potential conflict, it is noted and where appropriate the relevant Director absents him or herself for the specific item of business. Decision is minuted.

Board committees

Explanations for departures from the Recommendations

The primary role of the Board is the protection and enhancement of long-term shareholder value. The Board is accountable to shareholders for the performance of the Company. It directs and monitors the business and affairs of the Company on behalf of shareholders and is responsible for the Company's overall corporate governance.

After due consideration, the Company conducts its operations as a listed entity in accordance with the Recommendations, other than in relation to the matters specified:

Recommendation	Notification of Departure	Explanation of Departure
2.4 The board should establish a nomination committee	The board does not have a separate nomination committee	The Board, as a whole, serves as a nomination committee. The Board does not believe that any efficiencies or other benefits would be gained by establishing a separate nomination committee. In any event, the Board has adopted a Nomination Committee Charter which is equally suited to use by the full Board or a subcommittee. Where necessary, the nomination committee seeks advice of independent external advisers in connection with the suitability of applicants for Board membership.
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors	The board has not conducted a formal performance evaluation.	The Board recognises the importance of a formal performance evaluation but because of the size and nature of the Company, the Board believes that a formal performance evaluation is not required at this point in time. As the Company grows and develops it will continue to consider the efficiencies and merits of a formal performance evaluation of the board, its committees and individual directors.

Recommendation	Notification of Departure	Explanation of Departure
8.1 The board should establish a remuneration committee	The board has not formed a separate remuneration committee	Due to the size and development phase of the Company, the Board has no formal remuneration committee. All matters pertaining to remuneration are dealt with by the full Board taking independent advice if required.

The Audit Committee is discussed above.

Independent advice

Kasbah Directors may seek external professional advice at the expense of the Company on matters relating to their role as Directors of Kasbah. However, they must first request approval from the Chairman, which must not unreasonably be withheld. If permission is withheld the matter may be referred to the Board.

3. Promote ethical and responsible decision-making

The ASX Corporate Governance Council states a company should "Actively promote ethical and responsible decision-making".

Code of Ethics and Conduct

Kasbah has formally adopted a Code of Ethics and Conduct, which promotes ethical and responsible decision-making by Directors and employees. The Code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with Kasbah. The Code also sets the task for management of delivering shareholder value, with the oversight of the Board, through the sustainable and efficient operation of the Company.

Education

The Executive Directors of Kasbah and Company Secretary ensure Directors and employees of the Kasbah are informed with respect to Corporate Governance.

4. Safeguard integrity in financial reporting

The ASX Corporate Governance Council states a company should "Have a structure to independently verify and safeguard the integrity of the company's financial reporting".

Kasbah believes its practices satisfy this principle.

Kasbah has a structured six-monthly reporting process, culminating in Board sign-off and release of financial results to the market. The Executive Directors and Chief Financial Officer provide letters of assurance to the Board for each half-year and full-year result. Kasbah also releases unaudited quarterly cashflow statements to the market.

Kasbah's Audit Committee is constituted in accordance with the Guidelines and its responsibilities and composition requirements are set out in the Audit Committee Charter.

The Audit Committee's primary responsibilities are to review the integrity of the Kasbah's financial and external reporting; review and assess the external auditor's activities, scope and independence; review the management processes for the identification of significant business risks and exposures and oversee the monitoring of internal control structures, including controls against conflicts of interest and fraud. The Audit Committee also has specific responsibility for recommending the appointment or dismissal of external auditors and monitoring any non-audit work carried out by the external audit firm. The procedures for appointment of an external auditor are outlined in the charter. No Director has any association, past or present, with Kasbah's external auditor.

Kasbah is required to undergo regulatory audits each year in order to provide assurances to the market regulators and Kasbah shareholders regarding the operational integrity of Kasbah systems and processes. The external auditor, BDO Kendalls Audit & Assurance (WA), under the scrutiny of the Audit Committee, presently conducts these regulatory audits in return for reasonable fees.

5. Make timely and balanced disclosure

The ASX Corporate Governance Council states a company should "Promote timely and balanced disclosure of all material matters concerning the company".

Kasbah fulfils its disclosure responsibilities absolutely.

Responsibility for supervision of Kasbah's compliance with continuous disclosure lies with the Board.

The Managing Director is responsible for investor relations and has the authority and responsibility for approving market disclosure, which in practice is exercised in consultation with the Company Secretary. The Board reviews announcements made each month and considers disclosure obligations in the context of each item of business which comes before it.

Kasbah considers its disclosed discussion of financial results meets the standards outlines in the ASX Guidelines. This disclosure includes availability of materials on the Kasbah website and provision of all information necessary for investors to make informed decisions about an investment in Kasbah.

6. Respect the rights of shareholders

The ASX Corporate Governance Council states a company should "Respect the rights of shareholders and facilitate the effective exercise of those rights".

Kasbah aims to provide good quality, clear communication with shareholders, using available methods and technologies.

Kasbah views shareholder meetings as an opportunity for shareholders to meet with and question the Board and management of Kasbah. Kasbah's external auditor attends the annual general meeting and is available to answer shareholder questions.

Kasbah's website is a key source of information for Kasbah shareholders and prospective shareholders. Kasbah places Company announcements on the site immediately following confirmation of their release to the market.

Further communication with shareholders occurs with the distribution of the annual report (unless shareholders have chosen not to receive these). Email is also an important method of communication for investors. Key announcements and updates can be received by email where shareholders provide their details to Kasbah or the appointed share registrar.

7. Recognise and manage risk

The ASX Corporate Governance Council states a company should "Establish a sound system of risk and oversight management and internal control".

Kasbah has put in place appropriate procedures for risk management.

The Audit Committee has responsibility for reviewing the risk management framework and policies within Kasbah. It receives information from the Managing Director on risks and risk containment measures adopted. Risk is broadly considered as anything which may impede the achievement of effective operation of its business and Kasbah's strategic goals.

Executive Directors and Chief Financial Officer sign-off

Kasbah has adopted a policy requiring the Managing Director and Chief Financial Officer to state to the Board in writing to the best of their knowledge the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which operates efficiently and effectively in all material respects.

8. Remunerate fairly and responsibly

The ASX Corporate Governance Council states a company should "Ensure the level and composition of remuneration is sufficient and reasonable and its relationship to corporate and individual performance is defined".

Shareholder Information

Additional information required by the Australian Stock Exchange Ltd Listing Rules and not disclosed elsewhere in this report. This information is current as at 22 September 2009.

TWENTY LARGEST SHAREHOLDERS

No	Name	Number of Ordinary Shares	Percentage of issued shares
1	African Lion 2 Limited	18,000,000	10.17
2	Resource Capital Fund III LP	18,000,000	10.17
3	Merrill Lynch (Australia) Nominees Pty Limited <Berndale A/C>	14,372,134	8.12
4	Societe Generale Australia	12,000,000	6.78
5	Tarifa Investments Pty Ltd <Tarifa Investments A/C>	8,100,002	4.58
6	Thailand Smelting & Refining Company Limited	6,000,000	3.39
7	Macquarie Bank Limited	4,000,000	2.26
8	HSBC Custody Nominees (Australia) Limited	3,911,143	2.21
9	Mr Mattew Gaden Western Wood & Mrs Belinda Lucy Wood <Wood Family A/C>	3,353,134	1.89
10	Mrs Clare Annette McCammon	3,300,000	1.86
11	AFM Perseus Fund Limited	3,000,000	1.69
12	Kingston Vale Pty Ltd <Family A/C>	2,760,500	1.56
13	Nakuru Resources Pty Ltd	2,600,000	1.47
14	Custodial Services Limited <Beneficiaries Holding A/C>	2,274,814	1.29
15	Mr John Andrew Mackay	2,050,000	1.16
16	J P Morgan Nominees Australia	2,000,000	1.13
17	Malcruizer Pty Ltd <RJ Dorrington Super Fund A/C>	1,900,000	1.07
18	ANZ Nominees Limited <Cash Income A/C>	1,861,270	1.05
19	MD James Pty Ltd <The Mark James Family A/C>	1,760,000	0.99
20	Aluca Pty Ltd <Newbrook Golf Unit Account>	1,600,000	0.90
	Top 20 Holders of Ordinary Fully Paid as at 22 Sep 2009	112,842,997	63.75%

DISTRIBUTION OF SHAREHOLDERS

Range		Total Holders	Units	% Issued Capital
1 –	1,000	5	142	0.00
1,001 –	5,000	25	76,424	0.04
5,001 –	10,000	50	442,066	0.25
10,001 –	100,000	282	12,150,691	6.86
100,001 –	and over	154	164,330,683	92.84
Total		516	177,000,006	100.00

MARKETABLE PARCELS

Number of shareholders holding less than a marketable parcel of ordinary shares is 39.

VOTING RIGHTS

Every ordinary shareholder present in person or by proxy at meetings of shareholders shall have one vote for every ordinary share held.

SUBSTANTIAL SHAREHOLDERS

The following have provided substantial shareholder notices to the Company:

Name	Number of shares
AFRICAN LION 2 LIMITED	18,000,000
RESOURCE CAPITAL FUND LP	18,000,000
SOCIETE GENERALE AUSTRALIA BRANCH	6,000,000

RESTRICTED SECURITIES

The Company has no restricted securities.

UNQUOTED SECURITIES

The following is a list of unquoted securities:

- 15,000,003 Performance Shares. These Performance Shares will convert to Ordinary fully paid shares upon the Company exercising its exclusive option to acquire 100% of either the Achmmach Project or El Karit Project on or before 14 February 2010.
- 9,000,000 Management Options with an exercise price of $0.25 exercisable on or before 15 November 2011 and subject to certain performance triggers (service length and share price hurdles). These options are held by the Managing Director and former Executive Director and the former Chief Financial Officer. Details of the holdings are disclosed elsewhere in this annual report.
- 5,625,000 options issued in lieu of directors' fees. Exercisable at $0.25 on or before 15 November 2011 and vesting in equal tranches on appointment and the following four (4) anniversaries of appointment.
- 1,450,000 options issued and exercisable at $0.20 on or before 15 November 2011.
- 2,070,000 options issued to Argonaut Investment Pty Ltd. Exercisable at $0.30 on or before 30 June 2010. 300,000 of these options will only vest after the conversion of the Performance shares to Ordinary fully paid shares.
- 1,000,000 Management Options with an exercise price of $0.35 exercisable on or before 1 May 2013 and subject to service length. These options are held by the Chief Financial Officer. Details of the holdings are disclosed elsewhere in this annual report.
- 1,000,000 Management Options with an exercise price of $0.25 exercisable on or before 14 July 2013 and subject to service length. These options are held by the Exploration Manager.
- 1,125,000 options Issued in lieu of director's fees. Exercisable at $0.25 on or before 15 November 2011 and vesting 33% on issue and 33% on each of 1 July 2009 and 2010.

SHARE BUY BACKS

There is no current market share buy back.

STOCK EXCHANGES

The Company's securities are listed on the Australia Stock Exchange under the code KAS.

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