
KASBAH RESOURCES LIMITED

ACN 116 931 705

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:30 am (WST)

DATE: Thursday 24 November 2011

PLACE: Rothschild's Function Room
The Perth Zoo Conference Centre
20 Labouchere Road
SOUTH PERTH WA 6151

This Notice of Meeting should be read in its entirety.

If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9463 6651.

CONTENTS PAGE

Notice of Annual General Meeting (setting out the proposed resolutions)	3
Explanatory Statement (explaining the proposed resolutions)	7
Glossary	18
Schedule 1 – Terms and conditions of Options	19

TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders, to which this Notice of Meeting relates, will be held at 10:30 am (WST) on Thursday 24 November 2011 at:

Rothschild's Function Room
The Perth Zoo Conference Centre
20 Labouchere Road
SOUTH PERTH WA 6151

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to the Company's share registry; Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001;
- (b) facsimile to; Computershare Investor Services Pty Ltd on facsimile number 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia);

so that it is received not later than 10:30 am (WST) on Tuesday 22 November 2011.

Proxy Forms received later than this time will be deemed invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 10:30am (WST) on Thursday 24 November 2011 at the Rothschild's Function Room, The Perth Zoo Conference Centre, 20 Labouchere Road, South Perth, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 4:00 pm (WST) on Tuesday 22 November 2011.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2011, together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2011.”

Voting Exclusion: The Company will disregard any votes cast on Resolution 1:

- by or on behalf of a member of the Key Management Personnel (KMP) whose remuneration is included in the Remuneration Report;
- by or on behalf of a closely related party (such as close family members and any controlled companies) of a member of KMP whose remuneration is included in the Remuneration Report; or
- as a proxy of any of the above.

However, the Company need not disregard a vote cast on Resolution 1 if it is cast as a proxy for a person who is entitled to vote, in accordance with the directions (For, Against or Abstain) on the proxy appointment.

If a Shareholder appoints the Chairman of the Meeting as their proxy in relation to Resolution 1, but does not complete any of the boxes 'For', 'Against' or 'Abstain' opposite that resolution on the proxy appointment, the Shareholder will be directing the Chair of the Meeting to vote in favour of Resolution 1, and the Chair of the Meeting will vote in this way. If a Shareholder wishes to appoint the Chair of the Meeting as their proxy with a direction to vote against, or to abstain from voting on Resolution 1, the Shareholder should specify this by completing the 'Against' or 'Abstain' box on the proxy appointment.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR: MR MICHAEL SPRATT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.2 of the Constitution of the Company, and for all other purposes, Mr Michael Spratt, a Director who retires by rotation, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR: DR ROBERT WEINBERG

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.2 of the Constitution of the Company, and for all other purposes, Dr Robert Weinberg, a Director who retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR: MR IAN MCCUBBING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.4 of the Constitution of the Company, and for all other purposes, Mr Ian McCubbing, who was appointed a Director of the Company on 1 March 2011 and who retires, and being eligible, is re-elected as a Director.”

5. RESOLUTION 5 – RE-ELECTION OF DIRECTOR: MR GARY DAVISON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.4 of the Constitution of the Company, and for all other purposes, Mr Gary Davison, who was appointed a Director of the Company on 1 March 2011 and who retires, and being eligible, is re-elected as a Director.”

6. RESOLUTION 6 – APPROVAL OF ISSUE OF OPTIONS TO MR WAYNE BRAMWELL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 10.11, section 208 of the Corporations Act and for all other purposes, approval is given for the Company to issue 4,000,000 Options to Mr Wayne Bramwell (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Wayne Bramwell (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

7. RESOLUTION 7 – NON-EXECUTIVE DIRECTORS' REMUNERATION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 10.17, the Constitution of the Company and for all other purposes, the maximum aggregate fixed sum per annum payable by the Company to the Non-Executive Directors (as a whole) be increased by \$150,000, from \$250,000 per annum to \$400,000 per annum with effect from 1 July 2011, and the aggregate fee may be divided amongst the Non-Executive Directors in such proportion and manner as the Directors determine or, in default of agreement between them, in equal shares.”

Voting Exclusion: In accordance with Listing Rules 10.17 and 14.11, the Company will disregard any votes cast on this Resolution by a Director or an Associate of the Director. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the Chair of the Meeting; and
- (d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

8. RESOLUTION 8 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, for the purpose of Section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”

DATED: 7 OCTOBER 2011

BY ORDER OF THE BOARD



**TREVOR O'CONNOR
KASBAH RESOURCES LIMITED
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10:30 am (WST) on Thursday 24 November 2011 at the Rothschild's Function Room, The Perth Zoo Conference Centre, 20 Labouchere Road, South Perth, Western Australia.

The purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2011, together with the declaration of the Directors, the Directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company's annual financial report on its website at www.kasbahresources.com.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed Company's annual general meeting, a resolution that the remuneration report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3. RESOLUTIONS 2 AND 3 – RE-ELECTION OF DIRECTORS BY ROTATION

Clause 13.2 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third rounded upwards in case of doubt) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election. The Company currently has six Directors and accordingly two must retire.

Mr Michael Spratt and Dr Robert Weinberg, who have been the longest in office since the last election, retire by rotation and are seeking re-election.

The Directors, with Mr Michael Spratt abstaining, recommend that Shareholders vote in favour of Resolution 2.

The Directors, with Dr Robert Weinberg abstaining, recommend that Shareholders vote in favour of Resolution 3.

4. RESOLUTION 4 AND 5 – RE-ELECTION OF DIRECTORS: MR IAN MCCUBBING AND MR GARY DAVISON

Clause 13.4 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Company's Constitution.

Any Director so appointed holds office only until the next general meeting and is then eligible for re-election.

Mr Ian McCubbing and Mr Gary Davison will retire in accordance with clause 13.4 of the Constitution of the Company and being eligible seek re-election.

The Directors, with Mr Ian McCubbing abstaining, recommend that Shareholders vote in favour of Resolution 4.

The Directors, with Mr Gary Davison abstaining, recommend that Shareholders vote in favour of Resolution 5.

5. RESOLUTION 6 – APPROVAL OF ISSUE OF OPTIONS TO MR WAYNE BRAMWELL

5.1 General

Resolution 6 seeks Shareholder approval for the issue of 4,000,000 Options to Mr Wayne Bramwell who is the Managing Director of the Company on the terms and conditions set out in this Explanatory Statement and Schedule 1 to this Explanatory Statement. The exercise price for each Option shall be 145% of the 5 day volume weighted average price (VWAP) calculated up to the business day immediately prior to the day of this Annual General Meeting.

The primary purpose of the proposed issue of Options to Mr Bramwell, the Managing Director of the Company, is to provide an appropriate incentive to Mr Bramwell to continue working towards the Company's objectives and retain his services. Further details in relation to the primary purpose of the proposed issue of Option to Mr Bramwell are detailed in Section 5.2(k) below.

5.2 Chapter 2E of the Corporations Act

Mr Wayne Bramwell is a related party of the Company by virtue of being a Director of the Company. Pursuant to section 208 of the Corporations Act a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval;

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In accordance with the requirements of Chapter 2E, and in particular section 219 of the Corporations Act, the following information is provided to Shareholders to allow them to assess the proposed issue of Options to the Managing Director of the Company, Mr Bramwell:

- a) Mr Bramwell is a related party of the Company to whom Resolution 6 would permit the financial benefit to be given;
- b) the nature of the financial benefit to be given to Mr Bramwell is the proposed issue of 4,000,000 Options for nil consideration;
- c) the Options proposed to be issued to Mr Bramwell will be issued in accordance with the terms and conditions set out in Schedule 1 of this Explanatory Statement;
- d) as at the date of this Notice of Meeting, the capital structure of the Company is as follows:

Capital	Number
Ordinary Shares	364,262,596
Unlisted options	46,275,000

If Shareholders approve Resolution 6 the issued capital of the Company will be as follows (assuming the capital structure as at the date of this Notice of Meeting):

Capital	Number
Ordinary Shares	364,262,596
Unlisted Options	50,275,000

- e) as at the date of printing this Notice of Meeting, Mr Bramwell and his related entities hold the following securities in the Company:

Unlisted options – exercise price \$0.25 expiring 15 Nov 2011	4,000,000 ¹
Fully paid ordinary shares	9,857,412 ²

¹ 4,000,000 Options held indirectly through Tarifa Investments Pty Ltd whereby Mr Bramwell is a director and shareholder of Tarifa Investments Pty Ltd.

² 8,115,972 Shares held indirectly through Tarifa Investments Pty Ltd whereby Mr Bramwell is a director and shareholder of Tarifa Investments Pty Ltd, 1,170,970 Shares held indirectly through Wayne Christopher Bramwell & Lisa Michelle Johnston <Pareto Super Fund A/C> as Mr Bramwell is a beneficiary under this superannuation fund, and 570,470 Shares held indirectly through Lisa Michelle Johnston.

As at the date of this Explanatory Statement, the Company has 364,262,596 Ordinary Shares on issue and 46,275,000 Unlisted Options. The 9,857,912 fully paid ordinary shares held by Mr Bramwell represent 2.71% of the total Shares the Company has on issue on an undiluted basis. If Mr Bramwell exercised the 4,000,000 Options he currently holds (**Current Options**) (as at the date of printing this Notice of Meeting) then the number of Shares that would be held by Mr Bramwell would represent 3.80% on a fully diluted basis.

If the 4,000,000 Options proposed to be issued to Mr Bramwell under Resolution 6 were exercised by Mr Bramwell, then the number of Shares that would be held by Mr Bramwell would represent 4.90% on a fully diluted basis (based on the Company's issued capital as at the date of this Notice of Meeting, and assuming Mr Bramwell exercises the Current Options on or before 15 November 2011);

- f) details of Mr Wayne Bramwell's remuneration for the current financial period, the year ending 30 June 2012, is set out in the table below:

Base Salary	\$294,910
plus Superannuation	\$26,542
Short Term Incentive (if performance targets met)	Up to 40% of Base Salary
Proposed issue of 4,000,000 Options (Resolution 6)	Estimated based on the valuation in paragraph i) below, \$283,827

- g) the following table gives details of the highest, lowest and latest price of the Company's shares trading on the ASX over the past 12 months ending 6 October 2011:

Highest Price / Date	Lowest Price / Date	Latest Price / Date
44 cents on 9 November 2010	15.5 cents on 21 June 2011 and 26 September 2011	17 cents on 6 October 2011

- h) the Company will incur no liabilities or costs in respect of the proposed issue of Options to Mr Bramwell other than:
- (i) the fees payable to ASX for quotation of the Shares if and when the vesting conditions are satisfied and the Options are vested and exercised by the holder; and
 - (ii) the cost of the Shares issued on vesting of the Options, which will be expensed in the Company's income statement in accordance with AASB 2 Share-based payments;
- i) the Company has valued the Options proposed to be issued to Mr Bramwell using the Black & Scholes Model. The value of an option calculated by the Black & Scholes Model is a function of a number of variables. It does not purport to indicate the price for which the Options could be sold in the market as the market price may be affected by economic factors or conditions which have not been taken into account, and other market variables which have not been incorporated into the valuation of the options.

The valuation of the proposed 4,000,000 Options has been prepared using the following assumptions:

Variable	Input
Share price	\$0.17
Exercise price	\$0.25
Risk Free Interest Rate	3.58%
Volatility	77.83%
Time (years to expiry)	3 years

The Company has calculated the value of each option based on the following assumptions:

1. The underlying value of each share in the Company on the ASX closing price of 17 cents on 6 October 2011.
2. Risk free rate of return – 3.58% (estimated, being the Commonwealth 3 year indicator bond rate as at 6 October 2011).
3. Volatility of the share price of 77.83%, as determined from the daily movements in share price over the last 12 months.

Based on the assumptions, it is considered that the estimated average value of the 4,000,000 Options proposed to be issued to Mr Bramwell is 7.10 cents per Option.

Any change in the variables applied in the Black & Scholes calculation between the date of the valuation and the date the proposed issue of Options are issued (i.e. the date of the 24 November 2011 Annual General Meeting), would have an impact on their value;

- j) the Company is not aware of any other information that would reasonably be required by Shareholders in order to decide whether it is in the best interests of the Company to pass Resolution 6, other than as stated in this Explanatory Statement; and
- k) the primary purpose of the grant of the Options to Mr Bramwell, is to provide a market linked incentive package for his future performance and a cost effective consideration for his ongoing commitment and contribution to the Company in his role as Managing Director of the Company.

The Board (other than Mr Bramwell) considered the extensive experience and reputation of Mr Bramwell within the mining and resources industry, the current market price of Shares and current market practices when determining the number of

Options to be issued to Mr Bramwell. In addition, the Board considers the issue of the Options to Mr Bramwell to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. In addition, Mr Bramwell has not been awarded any securities in the Company since 2006 and the issue of securities to the Managing Director as part of a total remuneration package is appropriate and consistent with industry practice.

The Company would receive funds for a value equal to the total 4,000,000 Options exercised multiplied by the exercise price of the Options, should the Options vest, per the vesting conditions set out above, and Mr Bramwell decides to exercise the total number of Options.

If the Options are not issued, the Company could remunerate Mr Bramwell by additional payments in cash. However, the Board considers it reasonable for the remuneration of Mr Bramwell to have a cash component and an equity component to further align Mr Bramwell's interests with Shareholders and maintain a strong cash position for the Company.

- l) As outlined above, there are alternate options available in respect of the grant of the Shares in respect of remunerating the executive Directors. Accordingly, Shareholders should consider the above matters carefully before deciding how to vote on this Resolution. The Board does not consider that there are any significant opportunity costs to Company or benefits foregone by the Company in issuing the Options to Mr Bramwell upon the terms proposed.

5.3 Directors' recommendation

- a) The Directors (other than Mr Wayne Bramwell) recommend that Shareholders vote in favour of Resolution 6 for the following reasons:
 - (i) the benefits set out in Section 5.2(k);
 - (ii) the issue of the Options to Mr Bramwell is an appropriate form of incentive to maximise returns to Shareholders; and
 - (iii) the terms of the proposed issue of Options to Mr Bramwell are reasonable to the Company; and
- b) Mr Wayne Bramwell declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution. The independent Directors recommend that Shareholders vote in favour of Resolution 6. The independent Directors are not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.

5.4 ASX Listing Rules

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The proposed issue of Options to Mr Wayne Bramwell, a Director of the Company, requires the Company to obtain Shareholder approval because it will result in the Company issuing Options to a related party of the Company and it is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

In accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolutions 6:

- (a) the maximum number of Options proposed to be issued to Mr Wayne Bramwell, or his nominee, is 4,000,000 Options:
 - (i) with an exercise price of 145% of the 5 day volume weighted average price (VWAP) calculated up to the business day immediately prior to the day of this Annual General Meeting;
 - (ii) the Option expiry date 3 years from the date of issue; and
 - (iii) vesting conditions being:
 - A. the first tranche of 2,000,000 Options will vest on the date of this Annual General Meeting; and
 - B. the second tranche of 2,000,000 Options will vest 12 months from the date of this Annual General Meeting.
- (b) the Options will be issued for nil consideration no later than one month after the date of this Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) if the Options are exercised and converted to fully paid ordinary shares in the future, the Company will receive cash to the value of the number of Options exercised multiplied by the exercise price. The Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares and the Company will apply for the Shares to be quoted on the ASX;
- (d) a voting exclusion statement in respect of Resolution 6 is set out in the Notice of Meeting.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Options to Mr Wayne Bramwell as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Options to Mr Wayne Bramwell will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6. RESOLUTION 7 – NON-EXECUTIVE DIRECTORS' REMUNERATION

Listing Rule 10.17 provides that a listed company must not increase the total amount of directors' fees payable by it or any of its subsidiaries without the approval of Shareholders. Listing Rule 10.17 does not apply to executive directors of a company.

Clause 13.7 of the Company's Constitution provides that the total aggregate fixed sum per annum to be paid to the Non-Executive Directors must not exceed the sum determined by the Shareholders in general meeting. The Constitution also provides that this amount may be divided between the Non-Executive Directors as determined by the Directors or, in default of agreement between them, in equal shares.

The current total aggregate fixed sum per annum to be paid to Non-Executive Directors pursuant to the Constitution of the Company is \$250,000 per annum. This amount has not been increased since the Company listed on the ASX in April 2007.

For the purposes of Clause 13.7 of the Constitution and Listing Rule 10.17, Shareholder approval is sought to increase the maximum aggregate remuneration payable by the Company to the Non-Executive Directors (as a whole) by \$150,000, from \$250,000 per annum, to \$400,000 per annum. This is an amount which may be divided among all of the Non-Executive Directors and is not the amount payable to each Non-Executive Director.

From 2006 to 2010 the Non-Executive Directors of the Company were not remunerated by way of fixed fees. In the 2011 financial year, after a review of industry remuneration practice and the remuneration of Non-Executive Directors of similar companies listed on ASX, the Board of the Company considered it appropriate to move to a more standardised remuneration model whereby fixed fees are paid to Non-Executive Directors for provision of their services to the Company.

As the Company evolves through the stages of development additional resources are required. As such, the membership of the Kasbah Resources Board has been increased to ensure all key skill sets are available at the Board level. It is proposed initially that only \$290,000 of the \$400,000 to be approved by Shareholders will be utilised.

The Remuneration Committee considers the proposed increase in the maximum aggregate Non-Executive Director fee limit is supported and justifiable for the following reasons:

- (a) to facilitate the remuneration for additional Directors of the Board, if required, as the Company develops its resource portfolio through ongoing exploration and feasibility studies; and
- (b) the proposed increase will assist the Company in attracting and retaining Directors with the appropriate skills and experience to further develop the Company and its assets.

Each Director, with the exception of the Managing Director Mr Wayne Bramwell who is an executive director, has an interest in Resolution 7 and refrains from making any recommendation as to how Shareholders should vote on this Resolution. Mr Bramwell recommends that Shareholders vote in favour of Resolution 7.

7. RESOLUTION 8 – REPLACEMENT OF CONSTITUTION

7.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 8 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2007.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website www.kasbahresources.com and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9463 6651). Shareholders are invited to contact the Company if they have any queries or concerns.

7.2 Summary of material proposed changes

Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Dividends (clause 21)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions (new clause 35)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to Section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by Section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left holding a minority interest in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and

- (d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 8.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting means the meeting convened by the Notice of Meeting.

ASIC means Australian Securities and Investments Commission.

ASX means ASX Limited or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means Kasbah Resources Limited (ACN 116 931 705).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Employee means an employee of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS (MR WAYNE BRAMWELL)

The Options proposed to be issued for the benefit Mr Wayne Bramwell, or his nominee, pursuant to Resolution 6, will entitle the Option holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option entitles the holder, when exercised, to one fully paid ordinary share in the capital of the Company (**Share**).
- (b) Subject to paragraph (c), the Options are exercisable on or before 5:00pm (WST) on that date which is 3 years after the date of issue of the Options (**Expiry Date**) on the following basis:
 - (i) 2,000,000 (two million) of the Options will vest and are exercisable on the date of this Annual General Meeting (**Issue Date**); and
 - (ii) the remaining 2,000,000 (two million) Options will vest and are exercisable 12 months from the Issue Date,

PROVIDED THAT in the event the holder's employment agreement is terminated by the employee, those Options which have not vested at the date of the employee ceasing employment shall automatically lapse.
- (c) Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (d) In the event a shareholder acquires a relevant interest in 50.1% or more of voting shares, all Options (to the extent not already exercised or capable of exercise) shall vest and become capable of being exercised at any time up to the Expiry Date.
- (e) The exercise price for each Option shall be 145% of the 5 day volume weighted average price (VWAP) calculated up to the business day immediately prior to the day of this Annual General Meeting (**Exercise Price**).
- (f) The Options held by the Option holder may be exercised in whole or in part, and if exercised in part, multiples of 100,000 must be exercised on each occasion.
- (g) The Option holder may exercise his Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised;

(Exercise Notice).
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 business days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) The Options are not transferable.
- (k) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

- (l) All Shares issued upon exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply to ASX for quotation of any Shares issued upon exercise of the Options within 10 business days after the date of allotment of those Shares.
- (m) There is no current intention of the Company to apply for quotation of the Options on ASX.
- (n) There are no participating rights or entitlements inherent in the Options and the Option holder will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Options. However, the Company will ensure that for the purposes of the proposed issue, notice of the new issue will be given to the Option holder at least seven (7) business days before the record date. This will give the Option holder the opportunity to exercise his Options prior to the date for determining entitlements to participate in any such issue.
- (o) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of the Option holder will be varied in accordance with the ASX Listing Rules and the Corporations Act.

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

000001 000 KAS
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Proxy Form

 For your vote to be effective it must be received by 10:30am (WST) Tuesday 22 November 2011

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View the annual report:

www.kasbahresources.com

Update your securityholding, 24 hours a day, 7 days a week:

www.investorcentre.com

Your secure access information is: SRN/HIN: I999999999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Kasbah Resources Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Kasbah Resources Limited to be held at Rothschild's Function Room, The Perth Zoo Conference Centre, 20 Labouchere Road, South Perth, WA on Thursday, 24 November 2011 at 10:30am (WST) and at any adjournment of that meeting.

Important for Resolutions 1 and 7 - If the Chairman of the Meeting is your proxy or is appointed as your proxy by default

If the Chairman of the Meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box below.

By marking the box below, you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 1 and 7 and that votes cast by the Chairman of the Meeting for those Resolutions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Resolutions 1 and 7 and your votes will not be counted in calculating the required majority if a poll is called on these Resolutions.

STEP 2 Items of Business **PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY RESOLUTIONS

		For	Against	Abstain
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Mr Michael Spratt	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Re-election of Director - Dr Robert Weinberg	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Re-election of Director - Mr Ian McCubbing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Re-election of Director - Mr Gary Davison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Issue of Options to Mr Wayne Bramwell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Increase in Non-executive Directors' Remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SPECIAL RESOLUTION

Resolution 8	Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
--------------	-----------------------------	--------------------------	--------------------------	--------------------------

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Telephone _____

Date / / _____