



**KASBAH RESOURCES LIMITED**

**ACN 116 931 705**

# **ANNUAL REPORT**

**FOR THE YEAR ENDED**

**30 JUNE 2011**

# CORPORATE DIRECTORY

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## DIRECTORS

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Michael Spratt (Non-executive Chairman)  
Wayne Bramwell (Managing Director)  
Rod Marston (Non-executive Director)  
Robert Weinberg (Non-executive Director)  
Gary Davison (Non-executive Director)  
Ian McCubbing (Non-executive Director)

## COMPANY SECRETARIES

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Trevor O'Connor  
Adrian Di Carlo

## NOTICE OF ANNUAL GENERAL MEETING

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The annual general meeting of Kasbah Resources Limited will be held at:

Rothschilds Function Room  
Perth Zoo  
20 Labouchere Road, South Perth

Time: 10.30am  
Date: Thursday 24 November 2011

## PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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South Perth WA 6151

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E-mail: [info@kasbahresources.com](mailto:info@kasbahresources.com)  
Web: [www.kasbahresources.com](http://www.kasbahresources.com)

## STOCK EXCHANGE LISTING

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

## SHARE REGISTRY

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Computershare Investor Services Pty Ltd  
Level 2  
45 St Georges Terrace  
Perth WA 6000

Telephone: +61 8 9323 2000  
Facsimile: +61 8 9323 2033

## BANKERS

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Westpac Banking Corporation  
1257 – 1261 Hay Street  
West Perth WA 6005

## SOLICITORS

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In Australia

Steinepreis Paganin  
Lawyers & Consultants  
Level 4  
The Read Buildings  
16 Milligan Street  
Perth WA 6000  
Telephone: +61 8 9321 4000  
Facsimile: +61 8 9321 4333

## AUDITORS

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BDO Audit (WA) Pty Ltd  
38 Station Street  
Subiaco WA 6008

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# CHAIRMAN'S LETTER

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DEAR SHAREHOLDERS,

The past twelve months has seen the continued evolution of Kasbah Resources with the Company taking significant steps forward on both the corporate and technical fronts. After the release of the August 2010 resource upgrade, Kasbah published the "first look" economics of the Achmmach Tin Project. The scoping study identified the robust economics of the proposed underground mine and was the trigger for the Company to go to the market to raise additional development capital.

In October 2010 Kasbah successfully completed a A\$30,000,000 capital raising to accelerate our work program at Achmmach. The international trading company Transamine joined the register alongside thirty three new institutional investors and the Company received major support from our existing shareholders in a heavily oversubscribed share purchase plan.

Another major corporate milestone was achieved in August 2011 when the Moroccan Minister for Energy and Mines approved the assignment of the Achmmach Project to Kasbah in Morocco. As a result the Company will move to one hundred percent ownership of the Achmmach Tin Project.

On the technical front Achmmach continues to grow in scale and opportunity. First pass drilling within the Gap Zone, a poorly tested exploration target which sits within the centre of the Achmmach Tin Project, has produced the best results from the Project to date. Hole AD100 yielded **26.7m @ 1.3% Sn** from 273.7m (including **7m @ 2.3% Sn** from 284m) and **14.2m @ 3.2% Sn** from 318.8m (including **7m @ 5.4% Sn** from 321m). This hole and the other holes drilled on this section intersected the Fez and Meknes Zones in previously untested positions and provide the clearest indications yet of the potential for the Gap to connect the Fez and Meknes zones located in the west of the project, to resources in the east of the project.

First pass testing of the Northern Zone, a shallow target within the Achmmach Project, also produced strong tin mineralized intervals close to the surface. The shallow target program, though promising from this first pass testing, was curtailed as drilling within the deeper, higher tonnage Meknes target began to fall behind schedule due to persistent operational issues associated with the drilling contractor. In June 2011 the company replaced this drilling contractor.

The Company's strategy to regain drilling momentum is to bring two drilling groups to Achmmach. As of September 2011 two diamond drilling rigs were operational at Achmmach and three more were in transit. All of these rigs will be targeting infill and extensional drilling of the Gap Zone to support a new resource upgrade and completion of a pre-feasibility study early in 2012.

Kasbah continued to strengthen the Board and Management Team during the year with the appointment of Mike Spratt to the role of Non-executive Chairman. Mr Ian McCubbing and Mr Gary Davison joined as non-executive directors and these experienced professionals bring strong corporate finance and underground mining expertise to our Board. Mr Mike Kitney was appointed Chief Operating Officer and Mr Trevor O'Connor joined the Company in May 2011 as Chief Financial Officer and Company Secretary.

The company's view of the weakening supply side of the tin market was confirmed in 2011 when the tin price reached US\$33,000 per tonne. Like all commodities in 2011, the tin price has been very volatile and linked to global consumer confidence but the demand and supply fundamentals remain unchanged for this important commodity.

## CHAIRMAN'S LETTER

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It is clear that both the profile of the Company and the value of the Achmmach asset are growing strongly. I wish to thank my fellow Directors and especially our Managing Director, Wayne Bramwell, along with all of the Kasbah staff for their dedication to the success of the Project and the Company as a whole.

I would also like to express my sincere appreciation to all of our shareholders for their continued support of our efforts to grow Kasbah into an industry leading, new generation tin producer.



**Michael Spratt**

*Chairman*

# OPERATIONS REPORT

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**KASBAH RESOURCES LIMITED (KASBAH) IS AN AUSTRALIAN LISTED MINERAL EXPLORATION AND DEVELOPMENT COMPANY.**

**OUR COMMODITY IS TIN. KASBAH'S BUSINESS STRATEGY IS TO:**

- **GROW THE COMPANY INTO A NEW GENERATION PRODUCER OF HIGH QUALITY TIN CONCENTRATES;**
- **LEVERAGE OUR EXPLORATION AND DEVELOPMENT EXPERTISE INTO NEW TIN PRODUCTION OPPORTUNITIES; AND**
- **TARGET HIGH MARGIN TIN ASSETS WITH GROWTH POTENTIAL.**

## HIGHLIGHTS

From 1 July 2010 to 30 June 2011, the Company completed a record 13,509m of diamond drilling into the Achmmach Tin Project. In addition the following milestones were achieved during the year:

### **Achmmach Resource Upgrade**

In August 2010, Kasbah announced an increase in its JORC compliant mineral resource to 7,000,000 tonnes at 0.8% tin (for 54,000 tonnes of contained tin). Most importantly the company outlined 2,200,000 tonnes of the higher classification indicated resource within the total 7,000,000 tonnes resource.

### **Shallow Targets Program**

The first pass drilling of the Northern Zone shallow target commenced. High grade tin intervals were defined close to the surface with further follow up drilling planned.

### **Achmmach Scoping Study**

Kasbah reported scoping study results for underground development at Achmmach. Based on a tin price of US\$23,000 per tonne and premised on mechanised underground mining, conventional gravity and flotation processing, the scoping study estimated potential operating cash costs of US\$12,684 per tonne of tin in concentrate for Achmmach.

### **Prefeasibility Study (PFS) Commenced**

After completion of the scoping study the PFS into an underground mine at Achmmach commenced and the full Environmental Impact Assessment program was initiated.

### **Successful \$30,000,000 capital raising completed**

In November 2010 Kasbah completed a successful \$21,000,000 capital raising from the international metals trading house Transamine and 33 new Australian, Asian and UK based institutional investors. An additional \$9,000,000 was raised from existing investors in a heavily oversubscribed share purchase plan.

# OPERATIONS REPORT

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## **Meknes Resource Development Program**

Infill and extensional drilling at Achmmach continued within the Meknes Trend focussing on the Fez, Meknes and deeper Marrakech tin zones. The Gap Zone is a new exploration target of 350m in strike length that is as yet poorly tested and sits within the Meknes Trend. Initial drilling in the Gap Zone extended the Fez, Meknes and Marrakech tin mineralised zones and to date has delivered the highest grade tin intercepts achieved.

## **Tin Price Breaks through US\$33,000 / tonne**

On 8 April 2011 the tin price broke through the US\$33,000 / tonne barrier on the back of increasing concerns about tin supply. World commodity markets remain volatile but tin remains fundamentally challenged with respect to supply with few new tin projects of important scale in development.

## **Board and management team strengthened**

In late 2010 Mr Michael Spratt was appointed as Non-executive Chairman. In early 2011 Mr Ian McCubbing and Mr Gary Davison joined the company as non-executive directors. The management team was expanded with Mr Mike Kitney appointed as Chief Operating Officer. Mr Trevor O'Connor joined as Chief Financial Officer and Company Secretary in May 2011.

# OPERATIONS REPORT

## 1. ACHMMACH TIN PROJECT

The Achmmach Tin Project was discovered by the Moroccan government agency, the Bureau des Recherches et de Participations Minières (BRPM), in 1985 and is located on the western edge of the El Hajeb province in Northern Morocco. The project is approximately 140 km southeast of the Moroccan capital Rabat and 40 km south southwest of Meknes and consists of two Exploitation Permits (PE No 2912 and PE No 193172) that cover an aggregate area of approximately 32 square kilometres.

From 1991 onwards the BRPM undertook an extensive exploration and evaluation work programme at Achmmach that included regional and project scale geological mapping, soil geochemistry, gravity surveying and surface trenching. A total of 33 diamond drill holes totalling 14,463m were drilled and an 85m deep exploratory shaft with 827m of underground drives was established. An underground bulk sampling program and metallurgical test work were also completed.

Kasbah commenced site operations in 2007 and the project development strategy has been to upgrade, expand and increase the confidence in the Achmmach resource by additional diamond drilling.

The latest resource estimate was undertaken by Quantitative Group (QG) and reported in August 2010 (refer Table 1) utilising data from this drilling and the existing drill-hole data. The estimate also included the Fez, Meknes, Marrakech and the Eastern Zone deeper mineralisation. Most importantly the company defined 2,200,000 tonnes of the higher confidence indicated resource.

**Table 1**

**Mineral Resource Estimate for Achmmach as at 16 August, 2010 (above 0.5% Sn)**

Category	Million Tonnes	Sn %	Sn k tonnes
Indicated	2.2	0.8	17
Inferred	4.8	0.8	37
<b>Total</b>	<b>7.0</b>	<b>0.8</b>	<b>54</b>

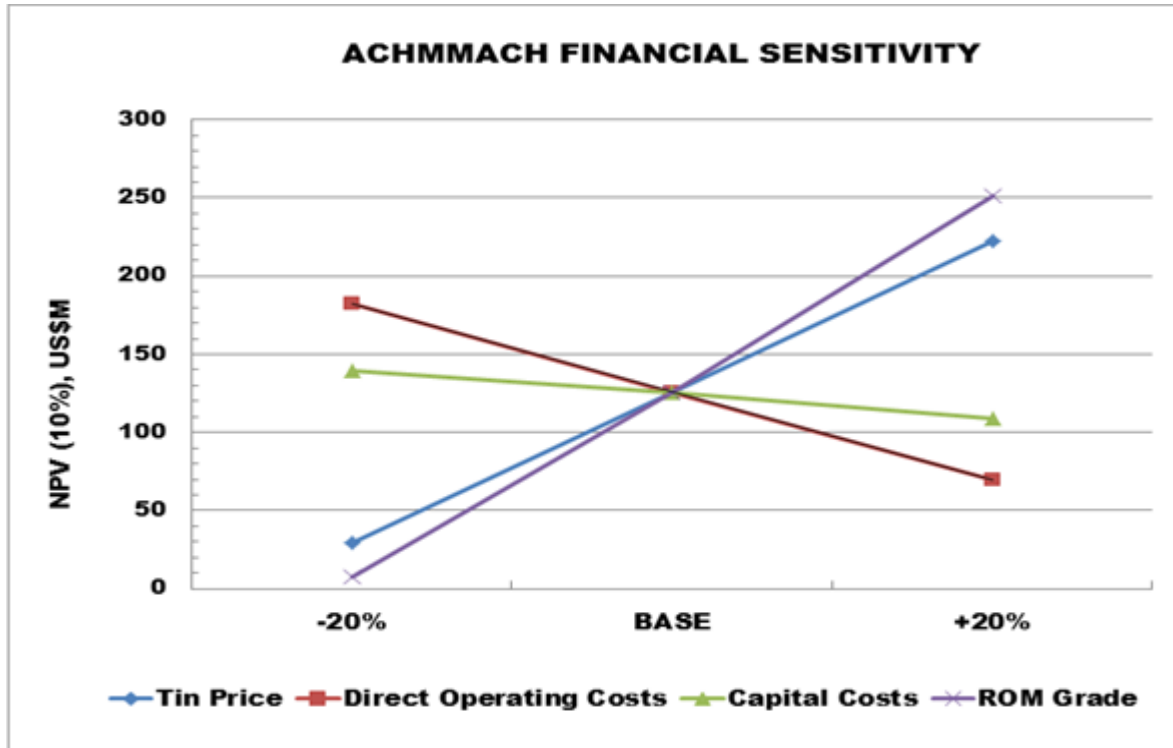
***\*Note that the figures in Table 1 have been rounded appropriately, in compliance with JORC.***

*The information in this report that relates to Kasbah Resources Limited's mineral resource estimates for the Achmmach Project, is based on information compiled by Michael Job, who is a full time employee of Quantitative Group and a Member of the Australasian Institute of Mining and Metallurgy. Michael Job 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 JORC code. Michael Job consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.*

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

# OPERATIONS REPORT

In October 2010 Kasbah reported the results of a Scoping Study into the development of an underground mine at Achmmach. The scoping study indicated robust economics for the base case assumptions used with the project showing an indicative NPV of US\$126M and IRR of 43% (refer Graph 1).



Graph 1

Achmmach Scoping Study Sensitivity (Oct 2010)

# OPERATIONS REPORT

## 1.1 2010 / 2011 Achmmach Exploration and Resource Development Program

The Achmmach Tin Project is a hill of moderate relief that is approximately 2 kilometres in length. Multiple deeper, sub-surface tin targets have been identified to date and Kasbah has so far only tested the Fez, Meknes, Marrakech and Eastern Zones.

Shallow targets (some with tin outcrop at surface) also exist along this 2 kilometre long hill and these include the Northern, Western and Eastern Zone prospects. The Northern Zone shallow target is the first of these targets to be tested (refer Figure 1).

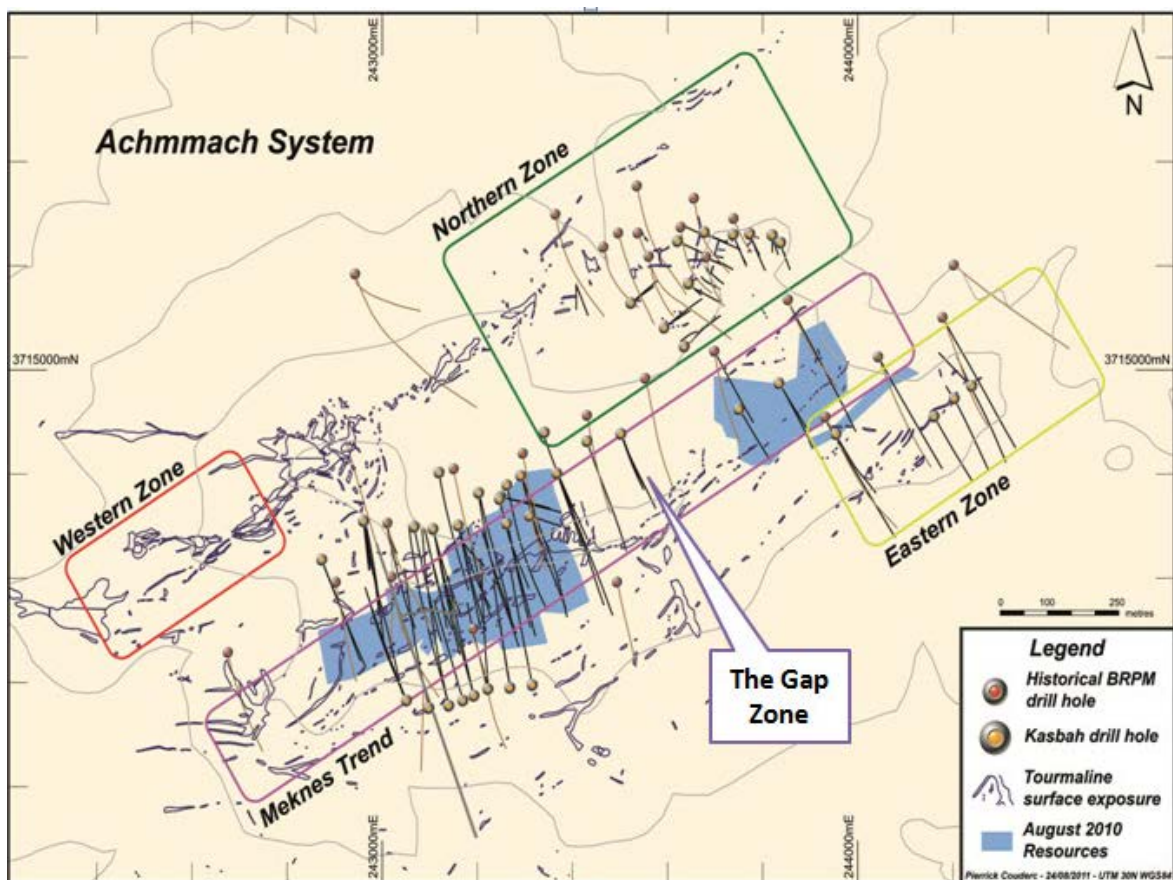
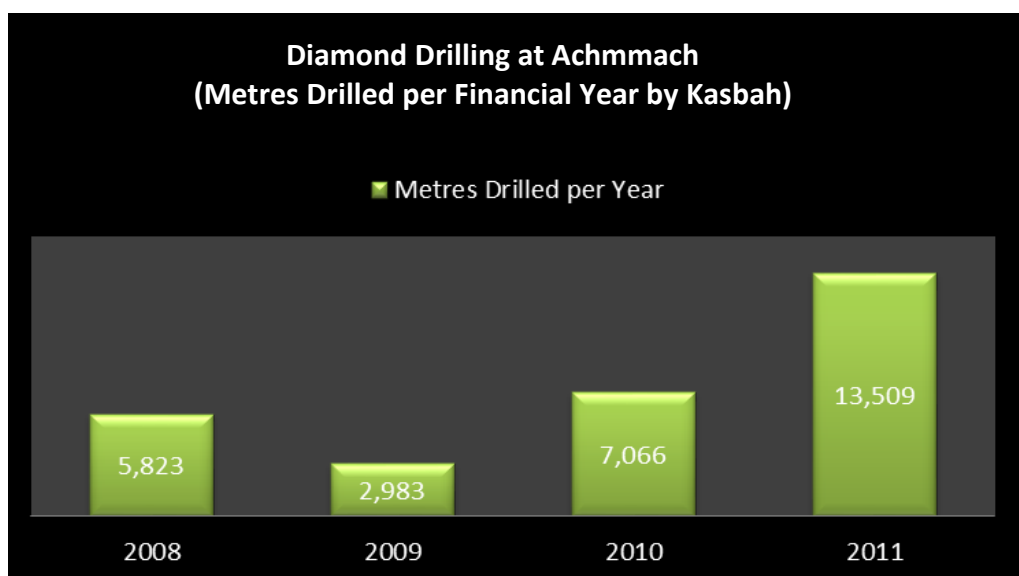


Figure 1

**Achmmach Tin Project (plan view showing major mineralising trends and defined resource blocks)**

Kasbah completed 13,509m of diamond drilling during the year ended 30 June 2011. This was predominantly focussed on the deeper targets within the Meknes trend (11,303m) and included the first testing of a shallow, outcropping tin target in the Northern Zone (2,206m).

Kasbah's primary focus has been to test the deeper targets first, as they have the greater probability of defining the critical tonnage needed to commence full project development. The shallow targets are of secondary priority as they may have smaller resource tonnage potential.



**Graph 2**

**Diamond Drilling Completed at Achmmach by Kasbah (metres per annum)**

### **1.1.1 Deeper Targets Program**

The deeper drilling throughout 2010 / 2011 focussed on targets within the Meknes trend (refer Figure 1).

#### **▪ Fez Zone**

In May 2011 the company reported results from the first targeted drilling of the Fez Zone. The Fez Zone tin mineralised system is located within the Meknes trend and is approximately 150 metres below the surface of the Achmmach hill. Drill holes AD087, AD089, AD091 and AD093 were the first holes specifically targeted to test the Fez position and these holes confirmed the Company's interpretation of the Fez Zone mineralisation and delivered high grade tin intersections (refer Figure 2).

#### **Best intercepts from Fez included:**

- AD087 - 5m @ 1.67% Sn from 151m, including 3m @ 2.53% Sn from 152m;
- AD089 - 7.65m @ 2.21% Sn from 147m, including 3.2m @ 3.93% Sn from 148m;
- AD089 - 9m @ 1.50% Sn from 171.5m, including 3m @ 3.91% Sn from 177m; and
- AD091 - 7m @ 0.85% Sn from 130m.

# OPERATIONS REPORT

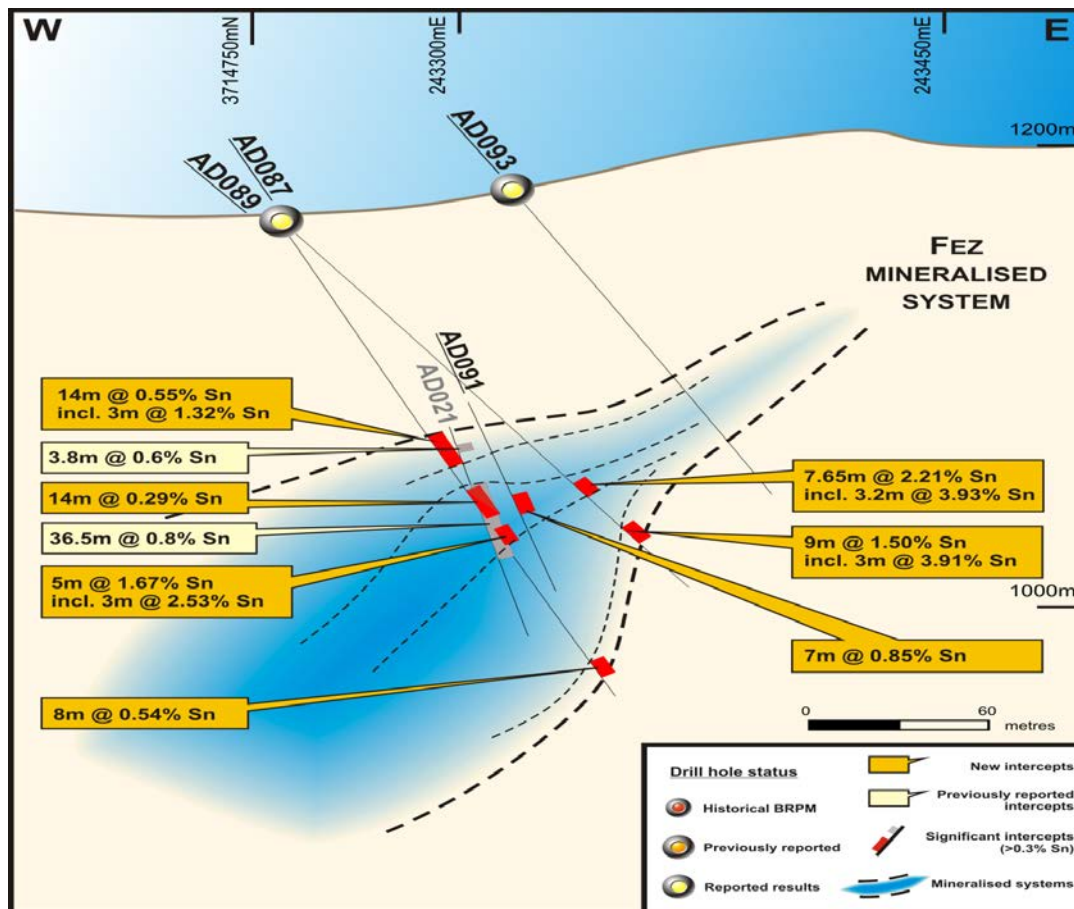


Figure 2

## Cross section AD087 (Fez Zone – looking NNE)

### Gap Zone

In June 2011 the Company reported the highest grade tin intercepts ever achieved at Achmmach. These results were from the first testing of the Gap Zone. The Gap Zone has been poorly tested to date and represents a significant exploration target that could link the Meknes and Eastern Zones (refer Figure 1).

The Gap has a strike extent of 350 metres and separates the main Meknes and Eastern Zone resource blocks. The first three holes drilled in the Gap (AD100, AD096 and AD095D1) all returned long down-hole high grade intercepts of tin.

### AD100 returned:

- 26.7m @ 1.32% Sn from 273.7m, including 7.0m @ 2.27% Sn from 284m;
- 8.5m @ 0.92% Sn from 304.8m;
- 14.2m @ 3.17% Sn from 318.8, including 7.0m @ 5.37% Sn from 321m;
- 8.0m @ 0.65% Sn from 392m, including 5.0m @ 0.87% Sn from 395m; and
- 7.0m @ 0.46% Sn from 435m.

# OPERATIONS REPORT

## AD096 returned:

- 23.0m @ 0.78% Sn from 297m, including 9.0m @1.03% Sn from 298m;
- 8.0m @ 0.56% Sn from 339m, including 4.0m @ 0.92% Sn from 339m; and
- 5.0m @ 0.84% Sn from 398m.

## AD095D1 returned:

- 32.0m @ 0.66% Sn from 119m, including 15.0m @ 0.95% Sn from 128m (Fez Zone);
- 12.0m @ 0.56% Sn from 336m; and
- 22.0m @ 0.37% Sn from 354m.

The new cross section AD095, (refer Figure 3), is located 40 metres east of the Meknes Zone resources estimate block (refer Figure 1).

The drilling targeted the Meknes Zone mineralised system and all three holes intersected this system demonstrating continuity of nearly 200 metres down dip on section and 80 metres along strike into the Gap Zone. AD095D1 also intersected the Fez mineralised system from 119 metres down hole extending its known strike length about 80 metres into the Gap Zone.

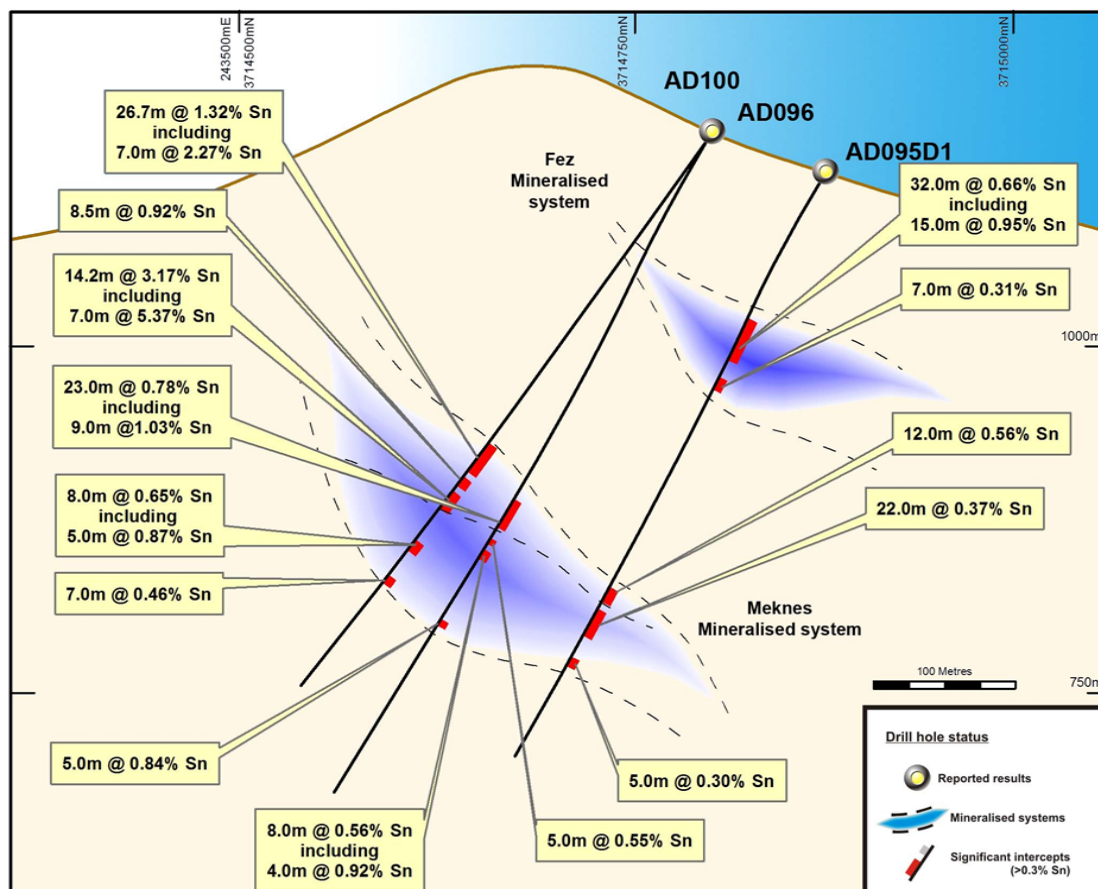


Figure 3

Cross Section AD095 (looking west)

# OPERATIONS REPORT

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## ▪ Historic BRPM Drill Holes (S21, S16, S17)

Kasbah also assayed previously uncut historic BRPM holes S21, S16 and S17. All of these holes are situated in the Gap Zone.

### **S21 returned:**

- 2.45m @ 1.02% Sn from 52.8m, (historic assayed zone);
- 9.0m @ 0.40% Sn from 221m, including 4m @ 0.68% Sn from 225m, (recent assayed zone); and
- 13.9m @ 0.53% Sn from 323.8, (historic assayed zone).

These assay results in S21 confirm the predicted locations of the Fez and Meknes mineralised zones extending their known strike length approximately 80 metres to the east of cross Section AD095 (refer Figure 3) and approximately 120 metres east of the current defined Meknes resource block into the Gap.

### **S16 returned:**

- 9.2m @ 0.36% Sn from 413.8m, (historic assayed zone);
- 2.4m @ 1.01% Sn from 486m to EOH, (recent assayed zone); and
- S16 stopped in mineralisation (intersecting 2.4m @ 1.01% Sn from 486m to 488.4m EOH) and is open at depth. This interval may represent the down dip extent of the Meknes Zone.

### **S17 returned:**

- 3.0m @ 1.11% Sn from 176m, (recent assayed zone).

# OPERATIONS REPORT

## 1.1.2 Shallow Targets Program

During 2010 / 2011 Kasbah also commenced testing of shallow, potentially open pittable tin resources at Achmmach.

To date Kasbah has identified three surface geochemical anomalies supported by high grade tin outcrop across the Achmmach Tin Project (refer Figure 4).

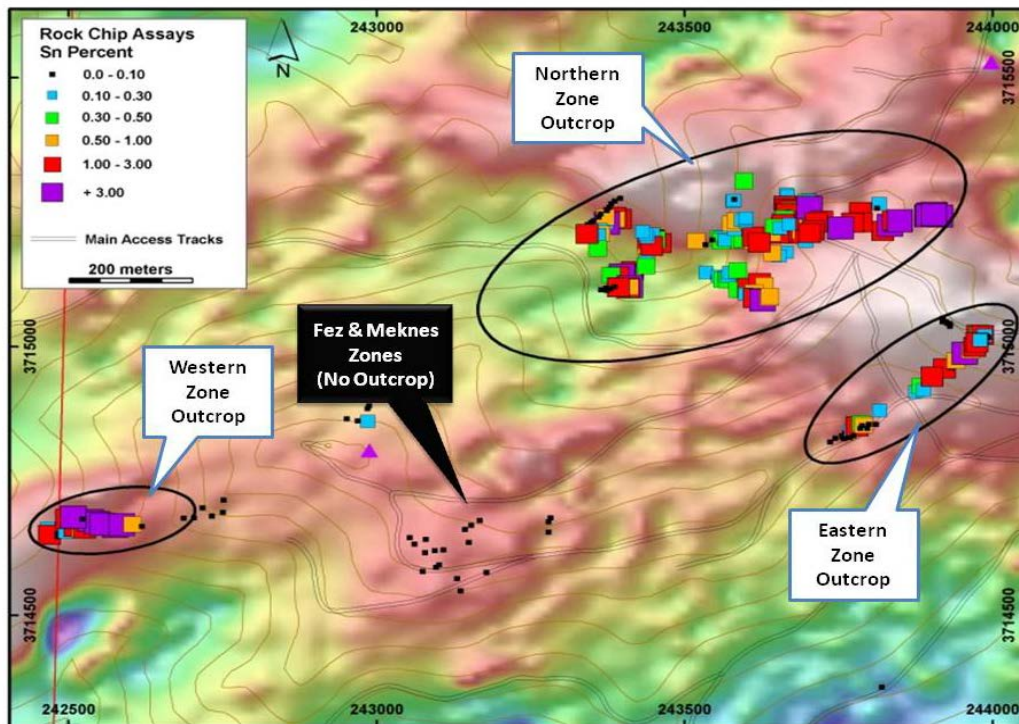


Figure 4

### Achmmach – Shallow and Deeper Tin Mineralised Targets over Magnetic Image

#### ▪ Northern Zone

The first shallow target to be drilled was the Northern Zone surface geochemical anomaly. Results from this first pass testing of the North Zone yielded some interesting intersections in AD074, AD075 and AD079. The best down hole intercepts included:

#### AD074 returned;

- 19m @ 0.47% Sn from 35m, includes 3m @ 0.94% Sn from 42m; and
- 8m @ 0.38% Sn from 2m.

#### AD075 returned;

- 1m @ 2.12% Sn from 19m; and
- 15m @ 0.70% Sn from 37m, includes 2m @ 2.81% Sn from 50m.

#### AD079 returned;

- 1m @ 1.64% Sn from 56m.

First pass geological interpretation and review of the data in 3D confirms the presence of multiple tin bearing structures. Further drill testing of this shallow target will be scheduled once the Gap Zone drilling is complete.

# OPERATIONS REPORT

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## 1.2 Project Development Program

On completion of the scoping study the Prefeasibility and Environmental Impact Assessment were commenced.

### Prefeasibility (PFS) Program

#### ▪ Engineering Cost Study

The Company engaged Ausenco Services Pty Ltd of Perth, Western Australia to prepare an Engineering Cost Study to PFS level for surface facilities and ore treatment plant. This engineering cost study is due for completion in early 2012.

#### ▪ Environmental Impact Assessment (EIA)

The Company engaged environmental specialists Sogreah Groupe Artelia of France to prepare an Environmental Impact Assessment and Environmental Management Plan as part of its prefeasibility study program. EIA preparation commenced with the submission of the terms of reference (ToR) for the study to the Moroccan Ministry of Environment. Following approval of the ToR the full study commenced in May 2011 and will be completed in early 2012.

### Site Projects

A new crusher / rotary sample divider installation was commissioned in the core preparation section at Achmmach during May 2011. This installation has significantly simplified the logistics of preparing and shipping drill core samples for assay offshore. Core samples are now being airfreighted to a laboratory in Norway with a substantial reduction in assay reporting turnaround time.

Electrification of the site was also initiated during April 2011. The project involved establishing a connection to the existing 22 kV grid line that traverses the Achmmach leases. Design and execution of the project was handled entirely by Moroccan engineers and contractors and should result in lower camp operating costs.

### Community Engagement

In February 2011 Kasbah commenced routine information meetings with representatives of the local Communes in the Achmmach Project area. This forum reviews employment and economic activity generated from Kasbah's presence at Achmmach. Regular meetings between Kasbah and the Regional Government have also commenced and Kasbah maintains an active program of community engagement.

## 2. TAMLALT GOLD DEPOSIT

The Tamlalt Gold Project, in Eastern Morocco, is located close to the South Atlas fault, one of the major mineralising structures in Morocco.

No work was undertaken during the year as all resources were focused on resource development at Achmmach. Consistent with the strategy to build Kasbah into a tin company it has been decided to divest the Tamlalt project. The company is investigating divestment options.

# OPERATIONS REPORT

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## 3. CORPORATE

During the 2011 financial year the company completed a \$30,000,000 capital raising to support the ongoing development of the Achmmach Tin Project and made several key appointments to the Board and Management team.

### **Successful \$30,000,000 Capital Raising Completed**

In November 2010 Kasbah completed a \$30,000,000 capital raising to support the ongoing work program at Achmmach. This capital was raised through a \$21,000,000 placement to Australian, Asian and UK based institutional investors including the international non-ferrous trading company Transamine. Concurrently the company also raised \$9,000,000 from existing investors in a heavily oversubscribed share purchase plan.

### **Board and Management Team Strengthened**

As the company evolves towards development additional skills are required. As such Kasbah made the following strategic appointments to its Board and Management team during the year.

- **Mr Michael Spratt – Non-executive Chairman**

Mr Michael Spratt was appointed as Non-executive Chairman of Kasbah at the end of November 2010. Mr Spratt is a tin specialist and has 48 years of engineering, development and operations experience in the mining and smelting industries. Before joining the Board of Kasbah he was Managing Director of the Thailand Smelting and Refining Company (the world's 5th largest tin smelter) for 7 years. Prior to this role he was General Manager Operations of the Renison Bell Tin Mine in Tasmania for Murchison United NL.

- **Mr Gary Davison – Non-executive Director**

Mr Gary Davison was appointed as Non-executive Director of Kasbah in March 2011. Gary is a mining engineer with 33 years of experience and is the Managing Director of Australian mining consultancy Mining One Pty Limited and is a founding director of Lightning Nickel Pty. Ltd., the nickel operating arm of Independence Group NL.

Gary began his career at the Renison tin mine in Tasmania where he worked for nine years in mine operations, planning and as Underground Manager. He has extensive international mining experience and has held senior mine management positions throughout Australia in both underground and surface mining operations.

- **Mr Ian McCubbing – Non-executive Director**

Mr Ian McCubbing was appointed as Non-executive Director of Kasbah in March 2011. Ian is a Chartered Accountant with more than 25 years of corporate experience including mergers and acquisitions, project finance and investment banking from both the borrower's and provider's side. Ian has spent more than 13 years working with ASX-listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in industrial and mining companies.

# OPERATIONS REPORT

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The following appointments were made to the management team in 2011.

- **Mr Mike Kitney – Chief Operating Officer**

Mr Mike Kitney was appointed to the newly created position of Chief Operating Officer in February 2011. Mike is a metallurgist with over 40 years of international experience in mine operations, project and feasibility management and has been consulting to Kasbah since 2007. Mike has extensive project development expertise having been involved in multiple new mine developments in Mali, Ghana, Tajikistan, Kazakhstan and Malaysia.

Mike is responsible for the Moroccan operations of Kasbah and for the delivery of a definitive feasibility study on the Achmmach Tin Project.

- **Mr Trevor O'Connor – Chief Financial Officer / Joint Company Secretary**

Mr Trevor O'Connor was appointed as Chief Financial Officer / Joint Company Secretary in May 2011. Prior to joining Kasbah, Trevor was the Chief Financial Officer and Company Secretary for ipernica limited, an ASX listed company. Previous to this Trevor was Corporate Financial Adviser for the Troika Management Group, a boutique investment company. At Troika, Trevor was responsible for the financial management and company secretarial function for a number of public and private companies including those in the mining industry.

# **DIRECTORS' REPORT**

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Your directors present their report on the consolidated entity (referred to hereafter as the "Group") consisting of Kasbah Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2011.

## **DIRECTORS**

The following persons were directors of Kasbah Resources Limited during the whole of the financial year and up to the date of this report: Wayne Bramwell, Rod Marston and Robert Weinberg.

Michael Spratt, Gary Davison and Ian McCubbing were appointed as non-executive directors on 2 August 2010, 1 March 2011 and 1 March 2011 respectively and continue in office at the date of this report.

Michael Spratt was subsequently appointed Non-executive Chairman on 30 November 2010 and continues in that role at the date of this report.

Graeme Walker was Non-executive Chairman from the beginning of the financial year until his resignation on 30 November 2010.

## **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 tin and gold projects in Morocco, North Africa.

## **DIVIDENDS – KASBAH RESOURCES LIMITED**

No dividend was paid or recommended during the year.

## **REVIEW OF OPERATIONS**

The Consolidated entity explored and evaluated base and precious metals projects throughout the year. A full review of the operations is set out in the Operations Report on pages 4 - 16.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Contributed equity increased by \$28,840,372 (from \$19,998,350 to \$48,838,722) as the result of the issue of shares under a capital raising and the exercise of options granted under the Kasbah Resources Employee Option Plan. Details of the changes in contributed equity are disclosed in note 13 to the financial statements.

# **DIRECTORS' REPORT**

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## **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

On 5 August 2011 the Company announced that it had received approval from the Moroccan Ministry for Energy, Mines, Water and Environment for the assignment of 100% of the Achmmach Tin Project to Kasbah's wholly owned Moroccan subsidiary. An agreement had been previously signed with the Office National des Hydrocarbures et des Mines ("ONHYM") to assign 100% of the two granted mining permits which constitute the Achmmach Tin Project. The ministerial approval completes the assignment process.

As per the terms of the original memorandum of understanding signed between Kasbah and ONHYM in November 2005, the mining permits that encompass the Achmmach tin deposit are to be assigned for US\$5,000,000 (exclusive of taxes). ONHYM is also entitled to a 3% net smelter royalty (NSR) payable after the end of the first year of production from Achmmach.

The total consideration is to be paid in five equal annual payments with title to the permits transferring 100% on the first payment. The first payment is likely to occur in October 2011.

## **LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS**

Likely developments in the operations of the Group 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 Group. The Group will continue to explore on its properties and seek new properties for exploration and evaluation.

## **ENVIRONMENTAL REGULATION**

In the course of its normal exploration activities the Group 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 Group 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. Due to the location of the Group's projects in Morocco the Directors have assessed that there are no current reporting requirements, but this may change in the future.

The Group is not aware of any matter that requires disclosure regarding any significant environmental regulation in respect of its operating activities.

## **RESULT**

The consolidated loss after income tax for the financial year was \$11,335,286 (2010: loss of \$5,997,500).

# DIRECTORS' REPORT

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## INFORMATION ON DIRECTORS

### **Mr David Michael Spratt BSc (Hons), FAUSIMM, FAICD, MAIME**

#### *Independent Non-executive Chairman*

Michael is a metallurgist with 48 years of experience in mining, mineral processing, smelting, engineering and construction both in Australia and overseas. Michael was appointed as a director of the Company on 2 August 2010 and was appointed Chairman on 30 November 2010.

Prior to commencing with Kasbah, he was the Managing Director for almost seven years, of Thailand Smelting and Refining Company Limited one of the largest tin smelters and refiners in the world.

Previously Michael has held senior general management positions with a variety of resource related companies including general manager of operations of the Robe River iron ore project, Managing Director of Simcoa (Australia's only silicon smelter), Operations Director of Minproc (now AMEC-Minproc) and Executive Vice-President and Operations Director of Kaiser Engineers Pty Ltd.

Michael is currently a non-executive director of Galaxy Resources Limited.

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

Michael is the Chairman of the Remuneration Committee and is also a member of the Audit Committee.

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

#### *Managing Director*

Wayne is a Metallurgist and Mineral Economist with over 19 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.

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

Rod was formerly the Chairman of the Audit Committee and is now a member. He is also a member of the Remuneration Committee.

# DIRECTORS' REPORT

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

### *Independent Non-executive Director*

London based Robert gained his doctorate in geology from Oxford University and has more than 35 years experience in the international mining industry. He is a Fellow of the Geological Society of London and also of the Institute of Materials, Minerals and Mining. He brings a wealth of marketing and investment banking experience to the Company having held executive positions including Managing Director, Institutional Investment at the World Gold Council. 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 head of the mining team at James Capel & Co. He was formerly Marketing Manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd.

Robert is currently a Non-executive Director of Solomon Gold plc and Chaarat Gold Holdings Limited, both listed on AIM, as well as of Medusa Mining Ltd listed on the ASX and LSE.

Robert was appointed a director of the Company on 15 November 2006. Robert is not a member of any of the Board sub-committees.

## **Mr Gary Davison Dip Min Eng., MSc (MEE)**

### *Independent Non-executive Director*

Gary is a mining engineer with 33 years of experience and is the Managing Director of Australian mining consultancy Mining One Pty Limited and is a founding director of Lightning Nickel Pty. Ltd., the nickel operating arm of Independence Group NL. Gary was appointed as a director of the Company on 1 March 2011.

Gary began his career at the Renison tin mine in Tasmania where he worked for nine years in mine operations, planning and as Underground Manager. He has extensive international mining experience and has held senior mine management positions throughout Australia in both underground and surface mining operations. He also holds a masters degree in Mineral and Energy Economics from Macquarie University and a diploma in Engineering Mining from the Royal Melbourne Institute of Technology. Gary has invented and holds the world wide patents to a number of commercially available ground support systems used in mines throughout the world.

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

Gary is not a member of any of the Board sub-committees.

## **Mr Ian McCubbing BCom (Hons), MBA (Ex), CA, MAICD**

### *Independent Non-executive Director*

Ian is a Chartered Accountant with more than 30 years corporate experience including mergers and acquisitions, project finance and investment banking from both the borrower's and provider's side. Ian has spent more than 15 years working with ASX-listed companies in senior finance roles, including positions as Finance Director and Chief Financial Officer in mining and industrial companies. Ian was appointed as a director of the Company on 1 March 2011.

Ian was previously the Chief Financial Officer of GRD Limited and is currently a non-executive director of Mirabela Nickel Limited, Swick Mining Services Limited, and is also Chairman of Eureka Energy Limited.

Ian resigned as a director of Territory Resources Limited on 31 July 2011 and has not held any other public company directorships in the last three years.

Ian is the Chairman of the Audit Committee and is also a member of the Remuneration Committee.

# DIRECTORS' REPORT

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## FORMER DIRECTOR

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

*Independent Non-executive Chairman (resigned 30 November 2010)*

## COMPANY SECRETARIES

### Mr Trevor O'Connor BBus (Acc), CA

*Chief Financial Officer and Joint Company Secretary (appointed 2 May 2011)*

Prior to joining Kasbah, Trevor held the position as Chief Financial Officer and Company Secretary for ipernica limited, a position which he held since October 2004. He has also held the position of Company Secretary for a number of public and private companies within the mining, property development, and e-commerce sectors.

Trevor is a Chartered Accountant with over 17 years corporate experience. He has over 10 years experience in the resources and mining services industry.

### Mr Adrian Di Carlo BBus (Acc), CPA, MBA, Grad Dip ACG, ACIS

*Joint Company Secretary (appointed 1 March 2011)*

Adrian is an employee of Company Matters Pty Ltd which is contracted to provide company secretarial services for ASX listed entities and other companies. Previously, he has worked for the Barrick Gold Corporation / Antofagasta Minerals joint venture and prior to that, within the Wesfarmers Group for several years in various accounting, systems and project, and commercial management positions.

Adrian has completed a Bachelor of Business degree (Accounting) and a Master of Business Administration degree at Curtin University. He has also completed a Graduate Diploma in Applied Corporate Governance, and is qualified as a Certified Practising Accountant and a Chartered Secretary.

## DIRECTORS' INTERESTS

The following tables set out the relevant interests of each Director in the share capital of the Company at the date of this report and their participation in Board meetings during the year.

Name of Director	Directors' Interests in Ordinary Shares	Number of Options Granted
Michael Spratt	648,412	-
Wayne Bramwell	9,286,942	4,000,000
Rodney Marston	1,479,244	1,875,000
Robert Weinberg	475,912	1,875,000
Gary Davison	-	-
Ian McCubbing	200,000	-

# DIRECTORS' REPORT

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## DIRECTORS' MEETINGS

Name of Director	Board Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	A	B	A	B	A	B
Michael Spratt	9	9	1	1	3	3
Wayne Bramwell	10	10	-	-	-	-
Rodney Marston	10	10	2	2	3	3
Robert Weinberg	10	10	-	-	-	-
Gary Davison	4	5	-	-	-	-
Ian McCubbing	5	5	1	1	1	1
Graeme Walker	4	4	1	1	-	-

A- Number of meetings attended

B- Number of meetings held during the time the Director held office or was a member of the Committee during the year.

# DIRECTORS' REPORT

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## REMUNERATION REPORT – AUDITED

This report details the amount and nature of remuneration of each Director of the Company and Executive Officers of the Company during the year.

### A. REMUNERATION POLICY

Historically, the remuneration policy has been to provide a fixed remuneration component and a specific equity related component. To reflect the changes in the international labour market and to bring Kasbah into line with current industry norms the Company will be introducing a short term incentive plan (STI) for key management personnel including the Managing Director. Under this STI plan key personnel will be able to earn a cash bonus (based upon a percentage of their base salary) upon satisfactory completion of specific key performance indicators. The Board believes this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is consistent in aligning shareholder and business objectives.

Compensation levels for key management personnel of the Company and consolidated entity are reviewed annually and set to attract and retain appropriately qualified and experienced directors and executives. The Board obtains independent advice on the structure and appropriateness of compensation packages so as to reflect trends in comparative companies and the broader resource sector.

Options are issued to employees at the discretion of the directors or, in the case of the Board or Managing Director, by shareholder approval. All options are issued for no consideration. Options granted as part of the executive remuneration are valued using the Black-Scholes option pricing model, which takes account of factors including the option exercise price, the current level and volatility of the underlying share price, the risk free interest rate expected, expected dividends on the underlying share, current market price of the underlying share and the life of the option.

The remuneration policy with regards to the Managing Director has been developed by the Board and takes into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors. During the year a \$100,000 cash bonus was paid to the Managing Director in recognition of his substantial contribution to the Company's growth.

# DIRECTORS' REPORT

## B. NON-EXECUTIVE DIRECTORS

Directors receive directors fees and the superannuation guarantee contribution (SGC) required by the government. The SGC is currently 9% of fees paid in cash and the directors do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. The maximum aggregate amount of fees that can be paid to non-executive directors is currently \$250,000.

Fees payable to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Previously, Non-executive directors of the Company have agreed to take their fees in the form of options which vested over a five or three year period. 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 vested over a period which concluded in November 2010. Further details are contained in note 18.

## C. DETAILS OF REMUNERATION

Details of the nature and amount of each element of the emoluments of Directors and Executives of the Group are set out in the following tables.

Name	Year	Short-term		Post	Share	Total
		Salaries & fees	Cash Bonus	Employment Superannuation benefits	based Options payments	
		\$	\$	\$	\$	\$
<b>Executive Directors</b>						
Wayne Bramwell - Managing Director	2011	268,120	100,000	24,131	-	392,251
	2010	284,307	-	29,807	-	314,114
<b>Non-executive Directors</b>						
Michael Spratt – Non-executive Chairman (Appointed 2 Aug 2010)	2011	20,416	-	36,667	-	57,083
Rodney Marston – Non-executive Director	2011	29,167	-	-	51,743	80,910
	2010	-	-	-	51,743	51,743
Robert Weinberg – Non-executive Director	2011	29,167	-	-	51,743	80,910
	2010	-	-	-	51,743	51,743
Gary Davison – Non-executive Director (Appointed 1 Mar 2011)	2011	15,291	-	1,376	-	16,667
Ian McCubbing – Non-executive Director (Appointed 1 Mar 2011)	2011	15,291	-	1,376	-	16,667
Graeme Walker – Non-executive Chairman (Resigned 30 Nov 2010)	2011	-	-	-	51,773	51,773
	2010	-	-	-	51,773	51,773
Peter Hepburn Brown – Non-executive Director (Resigned 28 Nov 2009)	2010	-	-	-	2,446	2,446
	<b>Total 2011</b>	<b>377,452</b>	<b>100,000</b>	<b>63,550</b>	<b>155,259</b>	<b>696,261</b>
	<b>Total 2010</b>	<b>284,307</b>	<b>-</b>	<b>29,807</b>	<b>157,705</b>	<b>471,819</b>

# DIRECTORS' REPORT

Name	Year	Short-term		Post	Share	Total
		Salaries & fees	Cash Bonus	Employment	based payments	
		\$	\$	Superannuation benefits	Options	\$
<b>Key Management Personnel</b>						
Mike Kitney (Chief Operating Officer) (Appointed 1 Feb 2011)	2011	104,167	-	9,375	-	113,542
Chris Bolger (Country Manager)	2011	220,184	-	19,817	50,121	290,122
	2010	51,987	-	4,679	4,699	61,365
Jeffrey Lindhorst – (Exploration Manager)*	2010	200,000	-	-	8,572	208,572
Trevor O'Connor (CFO and Company Secretary) (Appointed 2 May 2011)	2011	32,500	-	2,925	-	35,425
Trevor Hart (CFO and Company Secretary) (Appointed 21 Sept 2009. Resigned 3 Mar 2011)	2011	139,735	-	11,292	16,481	167,508
	2010	134,800	-	21,478	24,721	180,999
Peter Youd (CFO and Company Secretary) (Resigned 21 Sept 2009)	2010	31,575	-	-	-	31,575
	<b>Total 2011</b>	<b>496,586</b>	<b>-</b>	<b>43,409</b>	<b>66,602</b>	<b>606,597</b>
	<b>Total 2010</b>	<b>418,362</b>	<b>-</b>	<b>26,157</b>	<b>37,992</b>	<b>482,511</b>

## Other Company and Group Executives

Adrian Di Carlo (Joint Company Secretary)** (Appointed 1 Mar 2011)	<b>2011</b>	-	-	-	-	-
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\* In 2011 Jeffrey Lindhorst no longer meets the definition of a key management person and hence his remuneration details are not disclosed.

\*\* Adrian Di Carlo's company secretarial services are provided through Company Matters Pty Limited, a company which provides secretarial services and other related services to companies. Adrian is an employee of Company Matters and a total of \$32,656 was payable for the period 1 March 2011 to 30 June 2011.

# DIRECTORS' REPORT

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The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed Remuneration		At risk - STI		At risk – LTI*	
	2011	2010	2011	2010	2011	2010
<b>Executive Directors</b>						
Wayne Bramwell	74%	100%	26%	-	-	-
<b>Non Executive Directors</b>						
Michael Spratt	100%	-	-	-	-	-
Rodney Marston	36%	-	-	-	64%	100%
Robert Weinberg	36%	-	-	-	64%	100%
Gary Davison	100%	-	-	-	-	-
Ian McCubbing	100%	-	-	-	-	-
Graeme Walker	-	-	-	-	100%	100%
Peter Hepburn Brown	-	-	-	-	-	100%
<b>Key Management Personnel</b>						
Mike Kitney	100%	-	-	-	-	-
Chris Bolger	83%	92%	-	-	17%	8%
Jeffrey Lindhorst	-	96%	-	-	-	4%
Trevor O'Connor	100%	-	-	-	-	-
Trevor Hart	90%	86%	-	-	10%	14%
Peter Youd	-	100%	-	-	-	-

\* Since the long term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year.

# DIRECTORS' REPORT

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## D. 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's policies and terms including compensation relevant to the office of Director.

Remuneration and other terms of employment for the Managing Director are formalised into a service agreement.

A summary of the key conditions of service contracts for current executives is set out as follows:

### **Wayne Bramwell – Executive Director**

- Term of Agreement – No fixed term.
- Base Salary exclusive of superannuation of \$268,120 to be reviewed annually.
- Compensation to be paid in cash.
- Performance related bonuses to be paid at the discretion of the Company.
- The executive may terminate the agreement by providing three months written notice.
- The Company may terminate the agreement by providing twelve months written notice.
- On termination a maximum of twelve months salary and all accrued entitlements will be paid.

### **Mike Kitney – Chief Operating Officer**

- Term of Agreement – No fixed term.
- Base Salary exclusive of superannuation of \$250,000.
- Compensation to be paid in cash.
- Performance related bonuses to be paid at the discretion of the Company.
- A notice period of three months must be served by either party.
- There are no termination benefits to be paid.

### **Chris Bolger – Country Manager**

- Term of Agreement – No fixed term.
- Base Salary exclusive of superannuation of \$220,184.
- Compensation to be paid in cash.
- Performance related bonuses to be paid at the discretion of the Company.
- A notice period of thirty days must be served by either party.
- There are no termination benefits to be paid.

# DIRECTORS' REPORT

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## Trevor O'Connor – Chief Financial Officer and Company Secretary

- Term of Agreement – No fixed term.
- Base Salary exclusive of superannuation of \$195,000.
- Compensation to be paid in cash.
- Performance related bonuses to be paid at the discretion of the Company.
- A notice period of three months must be served by either party.
- There are no termination benefits to be paid.

## E. EQUITY INSTRUMENTS

No share options were granted during the period as compensation.

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

OPTIONS					
Input	Year Granted	Vested %	Forfeited %	Financial years in which grants may vest	Maximum total value of grant yet to vest \$
<b>Directors</b>					
Wayne Bramwell	2006	50%	-	2012	-
Rodney Marston	2006	100%	-	-	-
Robert Weinberg	2006	100%	-	-	-
Graeme Walker	2006	100%	-	-	-
<b>Officers</b>					
Chris Bolger	2010	-	-	2011	-
	2010	-	-	2012	15,663
Trevor Hart	2010	50%	50%	2012	-

## Trading in the Company's securities by Directors, officers and employees

The Board has adopted a policy in relation to dealing in the securities of the Company which applies to all directors, officers and employees. Under the policy, these persons are prohibited from dealing in the Company's securities whilst in possession of price sensitive information and are also prohibited from short term or "active" trading in the Company's securities during specific blackout periods. The Company Secretary must be notified as soon as practical upon the trading of securities under these circumstances.

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.

# DIRECTORS' REPORT

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Further details relating to options as provided as remuneration to each director of Kasbah Resources Limited and each of the key management personnel of the parent entity are as follows:

Name	Number of options granted during the year	Value of options at grant date*	Number of options vested during the year	Number of options lapsed during the year	Value at lapse date**
<b>Directors</b>					
Rodney Marston	-	-	375,000	-	-
Robert Weinberg	-	-	375,000	-	-
Graeme Walker	-	-	375,000	-	-
<b>Other Key Management Personnel</b>					
Trevor Hart	-	-	500,000	-	-

\* 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.

\*\* The value at lapse date of options that were granted as part of the remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

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

This is the end of the audited remuneration report.

# DIRECTORS' REPORT

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## SHARES UNDER OPTION

Unissued ordinary shares of Kasbah Resources Limited under option at the date of this report are as follows:

Date options granted	Expiry Date	Exercise price of options \$	Number of options
15 November 2006	15 November 2011	0.25	4,000,000
15 November 2006	15 November 2011	0.25	5,625,000
14 April 2010	30 April 2012	0.25	6,650,000
28 May 2010	8 June 2012	0.25	7,250,000
28 May 2010	15 June 2012	0.25	16,250,000
1 May 2008	1 May 2013	0.35	1,000,000
10 July 2013	11 July 2013	0.25	1,000,000
23 August 2011	26 August 2014	0.25	2,500,000
5 January 2010	5 January 2015	0.10	500,000
17 February 2010	5 October 2015	0.10	1,500,000
			46,275,000

No option holder has any right under the options to participate in any other share issue of the Company or any other entity.

## SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of Kasbah Resources Limited were issued during the year ended 30 June 2011 on the exercise of options granted to a former director and a former employee.

Date option granted	Exercise price of options \$	Number of shares issued
11 May 2006	0.20	1,450,000
5 January 2010	0.10	500,000
		1,950,000

No further shares have been issued since that date. No amounts are unpaid on any of the above shares.

# DIRECTORS' REPORT

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## INSURANCE PREMIUMS

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 of the liability and the amount of the premium.

## NON-AUDIT SERVICES

The Board of Directors is satisfied that 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 auditor's independence for the following reason:

The nature of the services provided do not compromise the general principles relating to auditor independence as issued by the Accounting Professional and Ethical Standards Board 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.

	Consolidated	
	2011	2010
	\$	\$
REMUNERATION OF AUDITORS		
Other Services by related practices of BDO Audit (WA) Pty Ltd		
<i>Taxation and other services</i>	101,095	27,149
<i>Total Remuneration for other services</i>	101,095	27,149

## AUDITORS' INDEPENDENCE DECLARATION

The copy of the Auditor's Independence Declaration as required under sections 307c of the Corporations Act 2001 is set out on page 36.

This report has been signed in accordance with a resolution of the Directors made at Perth on 29 September 2011.



**Wayne Bramwell**  
Managing Director

# CORPORATE GOVERNANCE STATEMENT

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The Board of Directors is responsible for the corporate governance of Kasbah Resources Ltd. The Board considers good corporate governance a matter of high importance. In reviewing the corporate governance structure of the Company, the Board is guided by the Australian Securities Exchange's (ASX) Corporate Governance Principles and Recommendations (ASX Principles and Recommendations). Kasbah follows the ASX Principles and Recommendations to the maximum extent practicable.

Where Kasbah's corporate governance practices do not correlate with the ASX Principles and Recommendations it is because the Board does not consider it practical to implement those recommendations due to the size and stage of development of Kasbah's operations and the Board's reasoning for any departure is explained.

Set out below are the fundamental corporate governance practices of the Company.

## **1. The Board Lays Solid Foundations for Management and Oversight Role of the Board**

The Board's role is to govern the Company. The Board delegates to management the day to day management of the operations of the Company's business. In governing the Company, the Directors must act in the best interests of the Company as a whole. Each member of the Board is committed to spending sufficient time to enable them to carry out their duties as a Director of the Company. In addition, it is the intention that Non-executive Directors receive formal letters of appointment setting out the key terms, conditions, responsibilities and expectations of their appointment.

### **Responsibilities of the Board**

The Board is ultimately responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company. The Board delegates authority to senior executives to carry out specific duties in support of the objectives of the Company.

The Board has established the following committees to assist it in discharging its functions:

- Audit Committee; and
- Remuneration Committee.

Board responsibilities are set out in the Company's Board Charter which is available in the Corporate Governance Manual located on Kasbah's website under "Corporate Governance".

The Board holds regular meetings and Directors' attendance at meetings is set out in the Director's Report section of this Annual Report.

It is the role of senior executives to manage the day to day operations of the Company in accordance with the direction and delegations of the Board and it is the responsibility of the Board to oversee the activities of management in carrying out these delegated duties.

### **Independent Professional Advice and Access to Information**

Each Director has the right of access to all of the Company's information and to Kasbah's executives. Further, each Director and the Board collectively has the right to seek independent professional advice from a suitably qualified advisor, at the Company's expense, to assist them to carry out their responsibilities. Where appropriate, a copy of this advice is to be made available to all other members of the Board.

### **Performance Review/Evaluation**

The performance of senior executives of the Company is to be reviewed annually, with the appraisal carried out by the Managing Director and reviewed by the Remuneration Committee. Performance reviews were undertaken during the financial year pursuant to this process.

# CORPORATE GOVERNANCE STATEMENT

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## 2. The Board is Structured to Add Value

### Composition of the Board and Details of Directors

As at the date of this Annual Report, the Board comprises of six directors, of which Mr Wayne Bramwell is the Managing Director and Chief Executive Officer. The remaining five directors are Non-executive Directors: Mr Michael Spratt, who is the Non-executive Chairman of the Board; Dr Rodney Marston; Dr Robert Weinberg; Mr Ian McCubbing and Mr Gary Davison. Further details of the Directors such as their qualifications, skills and experience and their terms of office are set out in the Directors' Report section of this Annual Report.

The Board assesses the necessary competencies of the Board, reviews Board succession plans, and develops policies and processes for evaluation of the Board and the nomination, appointment and re-election of Directors. These responsibilities, as set out in the Board Charter and Procedures for Selection and Appointment of Directors (available in the Corporate Governance Manual), are carried out by the Board rather than a separate nomination committee.

### Independence

In appointing Directors, the Board must ensure that any candidate has the appropriate range of skills, experience and expertise that will best complement Board effectiveness. The Company recognises the importance of Non-executive Directors and the external perspective and advice that Non-executive Directors can offer. It is the approach and attitude of each Non-executive Director, which is critical to determining independence and this must be considered in relation to each Director, while taking into account all other relevant factors as set out in the Board Charter. A majority of the Directors of the Board are independent. The Chairman is an Independent Non-executive Director and there is a clear division of responsibility between the Chairman and the Managing Director. The Managing Director is not independent as he is employed in an executive capacity. All other Non-executive Directors are independent. In assessing independence, the Board has taken into consideration the relationships affecting independent status pursuant to the ASX Principles and Recommendations.

### Performance Review / Evaluation

The Board and Committees review their performance after each meeting by informal discussion. During the year the Board conducted an informal review of the skills and experience of the Directors and the alignment of those skills with the requirements of the Board. This review is ongoing.

## 3. The Board Promotes Ethical and Responsible Decision Making

### Code of Conduct

As part of its commitment to recognising its legal obligations and the legitimate interests of stakeholders, the Company has an established Code of Conduct to guide compliance with legal, ethical and other obligations to legitimate stakeholders and the practices necessary to maintain the Company's integrity. Also, the policies provide guidance to assist dealing with business issues in a manner that is consistent with the Company's responsibilities to legitimate stakeholders and the responsibility and accountability required of the Company's personnel for reporting and investigating unethical practices.

A copy of the Code of Conduct is available in the Corporate Governance Manual located on Kasbah's website under "Corporate Governance."

### Trading in Kasbah Securities

The Company has established a Securities Trading Policy for its Directors, senior executives, employees, consultants and contractors of the Company which is appropriate for a Company whose shares are admitted to trading on the ASX.

A copy of the Securities Trading Policy is available in the Corporate Governance Manual located on Kasbah's website under "Corporate Governance."

# CORPORATE GOVERNANCE STATEMENT

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## **4. The Board Safeguards Integrity in Financial Reporting**

The Board has established an Audit Committee to assist the Board. The responsibilities of the Audit Committee are set out in a formal charter approved by the Board. This Charter is available in the Corporate Governance Manual located on Kasbah's website under "Corporate Governance."

As at the date of this Annual Report, the Audit Committee consists of three Independent Non-executive Directors of the Board. The Chairman of the Committee, Mr Ian McCubbing is not the Chairman of the Board. The other members of the Audit Committee are Mr Michael Spratt and Dr Rodney Marston.

The Committee is responsible for recommending to the Board the appointment and removal of the external auditor, the terms of appointment and fees, and ensures that the incumbent firm (and the responsible service team) has suitable qualifications and experience to conduct an effective audit. The Audit Committee is also responsible for recommending procedures for the rotation of external audit engagement partners and annually reviewing the external auditor's performance and independence.

The Committee meets to review the half-year and annual results of the Company, and to review the audit process, and those representations made by management in support of monitoring the Group's commitment to integrity in financial reporting.

Details of the qualifications of the members of the Audit Committee and their attendance at committee meetings are set out in the Director's Report section of this Annual Report.

## **5. The Board Makes Timely and Balanced Disclosure**

Kasbah's Continuous Disclosure Policy is designed to ensure that procedures are in place to ensure compliance with ASX Listing Rule disclosure requirements. The Managing Director and the Company Secretary have been designated as the Company's disclosure officers responsible for implementing and administering this policy.

A summary of the Continuous Disclosure Policy is available in the Corporate Governance Manual located on Kasbah's website under "Corporate Governance."

## **6. The Board Respects the Rights of Shareholders**

The Company respects the rights of its shareholders and seeks to facilitate the effective exercise of those rights by promoting effective communication with shareholders and encouraging shareholder participation at annual general meetings. The Company has established a Shareholder Communications Policy which is available in the Corporate Governance Manual located on Kasbah's website under "Corporate Governance."

## **7. The Board Recognises and Manages Risk**

The Company is committed to the identification, monitoring and management of material business risks of its activities. The Company has a Risk Management and Internal Compliance and Control Policy (available in Kasbah's Corporate Governance Manual) to provide guidance for its risk management practices. Management is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. Management provides specific recommendations to the Board regarding the existence and status of business risks. The Company has established a risk register that is maintained by management on an ongoing basis.

The Board oversees the Company's management of risks and receives reports from management at each Board meeting. The Board does not require a formal report from management on whether the Company's material business risks are being managed effectively as its current risk management reporting process is sufficient for the Company's current stage of development.

Through this oversight function and management reporting process, the Board reviews the areas of material business risks and aims to ensure, where applicable, that management has appropriate measures in place to protect the assets of the Company.

# CORPORATE GOVERNANCE STATEMENT

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The Board at each Board meeting, and the Audit Committee at each committee meeting makes enquiries of management and receives assurances from the Managing Director and the Chief Financial Officer in relation to financial reporting risks. In addition, the Board delegates the adequacy and content of risk reporting to management. As part of the audit processes and review throughout the year, the Board receives feedback that management has provided assurances to the auditors in relation to financial risks within the overall risk management framework.

## **Attestations by the Managing Director and Chief Financial Officer**

In accordance with Recommendation 7.3 of the ASX Principles and Recommendations, the Managing Director and Chief Financial Officer have stated to the Board:

That:

- the statement given in accordance with section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

## **8. The Board Remunerates Fairly and Responsibly**

The Board has established a Remuneration Committee to assist the Board. The responsibilities of the Remuneration Committee are set out in a formal Charter approved by the Board which is available in the Corporate Governance Manual located on Kasbah's website under "Corporate Governance."

The Remuneration Committee monitors and reviews the performance of the Managing Director, senior executives and management. The Remuneration Committee also has responsibility for ensuring the Company:

- has coherent remuneration policies and practices to attract and retain Directors and senior executives who aim to create value for shareholders;
- observes those remuneration policies and practices; and
- fairly and responsibly rewards senior executives having regard to their performance, the performance of the Company and general remuneration practices adopted by other publicly listed companies.

The Chairman of the Remuneration Committee is Mr Michael Spratt, who is also Chairman of the Board and is an independent Non-executive Director. The other members of the Committee are the independent Non-executive Directors Mr Ian McCubbing and Dr Rodney Marston. The composition is considered appropriate to effectively undertake the Remuneration Committee's responsibilities and external assistance and advice, as required, is sought to assist in determining appropriate levels of remuneration for the Directors and senior executives of the Company.

Directors and senior executives are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration scheme currently in operation or which will be offered by the Company in the future. However, Directors and senior executives will consult with the Chairman if they are considering, or if they are not sure, as to whether entering into transactions may limit the economic risk of unvested entitlements they may have.

Further details of the remuneration structure of the Executive Directors, Non-executive Directors and senior executives' remuneration are set out in the Remuneration Report section of this Annual Report.

29<sup>th</sup> September 2011

The Board of Directors  
Kasbah Resources Limited  
Unit 3, 77 Mill Point Road  
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 Limited for the year ended 30June 2011, 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 Limited and the entities it controlled during the period.



Brad McVeigh  
Director



BDO Audit (WA) Pty Ltd  
Perth, Western Australia

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011	2010
		\$	\$
Revenue from continuing operations	2	875,437	79,840
Other Income		165,173	41,632
Exploration and evaluation expenditure		8,235,884	4,197,532
Impairment expense	3	1,197,798	45,961
Employee option based payment expense	14	255,166	214,691
Accounting and corporate fees		342,694	291,821
Employee benefits expenses		1,153,952	716,242
Occupancy expense		106,740	67,380
Administration expenses		667,930	285,228
Depreciation and amortisation expenses	3	183,701	125,686
Travel expenses		174,346	120,713
Other expenses from ordinary activities		57,685	53,718
(Loss) from continuing operations before tax expense		(11,335,286)	(5,997,500)
Income tax benefit/(expense)	4	-	-
(Loss) after tax from continuing operations		(11,335,286)	(5,997,500)
<b>Other comprehensive income</b>			
Foreign currency translation difference on foreign operations		(108,813)	(388,751)
Total comprehensive loss for the period attributable to the owners of Kasbah Resources Limited		(11,444,099)	(6,386,251)
Basic (loss) per share (cents per share)	22	(3.61)	(3.30)
Diluted (loss) per share (cents per share)	22	(3.61)	(3.30)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2011

	Note	Consolidated	
		2011 \$	2010 \$
<b>Current Assets</b>			
Cash and cash equivalents	6	21,850,851	3,738,380
Trade and other receivables	7	697,338	67,787
Non-current assets classified as held for sale	8	1	-
<b>Total Current Assets</b>		<b>22,548,190</b>	<b>3,806,167</b>
<b>Non Current Assets</b>			
Property, plant and equipment	9	821,007	373,898
Exploration and evaluation expenditure	10	-	1,140,461
<b>Total Non Current Assets</b>		<b>821,007</b>	<b>1,514,359</b>
<b>Total Assets</b>		<b>23,369,197</b>	<b>5,320,526</b>
<b>Current Liabilities</b>			
Trade and other payables	11	1,070,668	694,087
<b>Total Current Liabilities</b>		<b>1,070,668</b>	<b>694,087</b>
<b>Non-Current Liabilities</b>			
Provisions	12	20,651	-
<b>Total Non-Current Liabilities</b>		<b>20,651</b>	<b>-</b>
<b>Total Liabilities</b>		<b>1,091,319</b>	<b>694,087</b>
<b>NET ASSETS</b>		<b>22,277,878</b>	<b>4,626,439</b>
<b>Equity</b>			
Issued capital	13	48,838,722	19,998,350
Reserves	14	2,240,587	2,094,234
Accumulated losses	15	(28,801,431)	(17,466,145)
<b>TOTAL EQUITY</b>		<b>22,277,878</b>	<b>4,626,439</b>

The consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Issued Capital \$	Accumulated Losses \$	Share Based Payments Reserves \$	Foreign Currency Translation Reserves \$	Total attributed to equity holders \$
<b>CONSOLIDATED</b>					
Balance 1 July 2009	15,475,850	(11,468,645)	2,289,163	(20,869)	6,275,499
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	(5,997,500)	-	-	(5,997,500)
<b>Other comprehensive income</b>					
Currency translation difference	-	-	-	(388,751)	(388,751)
<b>Total comprehensive loss for the period</b>					
	-	(5,997,500)	-	(388,751)	(6,386,251)
<b>Transaction with owners in their capacity as owners</b>					
Share based payments	-	-	214,691	-	214,691
Issue of fully paid shares	4,522,500	-	-	-	4,522,500
Share issue costs	-	-	-	-	-
Balance 30 June 2010	19,998,350	(17,466,145)	2,503,854	(409,620)	4,626,439
Balance 1 July 2010	19,998,350	(17,466,145)	2,503,854	(409,620)	4,626,439
<b>Total comprehensive loss for the period</b>					
Loss for the period	-	(11,335,286)	-	-	(11,335,286)
<b>Other comprehensive income</b>					
Currency translation difference	-	-	-	(108,813)	(108,813)
<b>Total comprehensive loss for the period</b>					
	-	(11,335,286)	-	(108,813)	(11,444,099)
<b>Transaction with owners in their capacity as owners</b>					
Share based payments	-	-	255,166	-	255,166
Issue of fully paid shares	30,339,422	-	-	-	30,339,422
Share issue costs	(1,499,050)	-	-	-	(1,499,050)
Balance 30 June 2011	48,838,722	(28,801,431)	2,759,020	(518,433)	22,277,878

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated	
		2011	2010
		\$	\$
<b>Cash flows from operating activities</b>			
Cash paid to suppliers and employees		(2,862,886)	(1,350,032)
Payments for exploration and evaluation		(7,787,757)	(4,095,532)
Interest received		555,770	80,997
Other Income		91	37,437
<b>Net cash outflow from operating activities</b>	20b	<b>(10,094,782)</b>	<b>(5,327,130)</b>
<b>Cash flows from investing activities</b>			
Acquisition of plant and equipment		(620,618)	(242,806)
<b>Net cash outflow from investing activities</b>		<b>(620,618)</b>	<b>(242,806)</b>
<b>Cash flow from financing activities</b>			
Proceeds from share issue		30,339,422	4,522,500
Cost associated with share issue		(1,499,050)	-
<b>Net cash inflow from financing activities</b>		<b>28,840,372</b>	<b>4,522,500</b>
Net increase/(decrease) in cash held		18,124,972	(1,047,436)
Cash at the beginning of the financial year		3,738,380	4,820,559
Effect of exchange rate fluctuations on cash held in foreign currencies		(12,501)	(34,743)
<b>Cash at the end of the financial year</b>	6	<b>21,850,851</b>	<b>3,738,380</b>

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. The financial statements are for the consolidated entity consisting of Kasbah Resources Limited and its subsidiaries.

### **Basis of Preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, including Australian Accounting Interpretations and the Corporations Act 2001.

The financial statements are presented in Australian dollars.

The financial statements are presented on a going concern basis.

### **Compliance with IFRS**

The consolidated financial statements of Kasbah Resources Limited comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

### **Historical Cost Convention**

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

### **Financial Statement Presentations**

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

### **Accounting Policies**

#### **a) Principles of Consolidation**

##### **Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Kasbah Resources Limited (the "Company" or "Parent Entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which a member of the Group has the power to govern in their 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 any member of the Group controls another 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.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## **b) 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 that have been enacted or are substantially enacted by the reporting date.

Deferred tax is accounted for using the 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 profit or loss 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 that no adverse change will occur in income taxation legislation, and the anticipation that the entity will derive sufficient future assessable income to enable the benefit to be realised and to comply with the conditions of deductibility imposed by the law.

## **c) Trade and Other Receivables**

Trade and other receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

## **d) Trade and Other Payables**

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## e) 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, less impairment.

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 profit or loss in the financial period in which they are incurred.

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:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
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 reporting date.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in profit or loss.

At each reporting date, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that 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 its 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 profit or loss.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but where legal ownership is not 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 profit or loss 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.

## g) Financial Instruments Recognition

Financial instruments are initially measured at fair value on trade date, including 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 uncollectable amounts.

Collectability of trade receivables is reviewed on an ongoing basis. Debts known to be uncollectable are written off when identified. An allowance for doubtful debts is 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 entity. 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## **h) 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.

## **i) Foreign Currency Transactions and Balances**

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.

### **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 profit or loss.

### **Group companies**

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

Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position.

Income and expenses for each item in the statement of comprehensive income 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 forming part of the net investment is 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## **j) Employee Benefits**

Provision is made for the Company's liability for employee benefits arising from services rendered by employees at reporting 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 whereby fair value is measured by using an option pricing model. The fair value determined at grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period and is recognised as an expense in profit or loss.

## **k) 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.

The liability for long service leave is recognised in the provision for employee benefits and measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

## **l) 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 six months or less.

## **m) 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).

## **n) Goods and Services Tax (GST) and Value Added Tax (VAT)**

Revenues, expenses and assets are recognised net of the amount of GST/VAT, except where the amount of GST/VAT incurred is not recoverable. In these circumstances GST/VAT is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST/VAT.

Cash flows are presented in the statement of cash flows on a gross basis. The GST/VAT component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## **o) Earnings Per Share**

Basic earnings per share is calculated as net profit or loss attributable to members of the parent entity, 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 elements.

The diluted earnings per share is calculated as net profit attributable to members of the parent entity, 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.

## **p) Segment Reporting**

AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the Company as the Managing Director and other members of the Board of Directors. The adoption of the revised standard has changed the segments reported on from prior periods.

## **q) Parent entity Financial Information**

Financial information for the parent entity, Kasbah Resources Limited, is disclosed in note 21 and has been prepared on the same basis as the consolidated financial statements.

## **r) Exploration and Evaluation Expenditure**

Exploration and evaluation expenditure is generally written off in the year incurred, except for acquisition of exploration properties which is capitalised and carried forward.

When production commences, any accumulated costs for the relevant area of interest which have been capitalised and carried forward 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 carrying value of any capitalised expenditure 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.

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the income statement.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## s) Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale are presented separately from the other assets in the statement of financial position.

## t) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

## u) Critical Accounting Estimates and Significant Judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and the 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 2011, the only items affecting assets or liabilities which are subject to significant accounting estimates and judgements are set out below.

## Share Based Payments

The consolidated entity measures the cost of equity-settled transactions with Non-executive directors and employees by reference to the fair value of the equity instruments at the date at which they are granted and applying an estimated probability that they will vest. The fair value is determined by using a Black-Scholes model. Refer to note 18 for details on the calculation of share based payments.

## v) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2010:

- AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions;
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issues; and
- AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## w) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2011 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

- AASB 2010-6 Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011). Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010, introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments are not expected to have any significant impact on the Group's disclosures. The Group intends to apply the amendment from 1 July 2011.
- AASB 10 Consolidated Financial Statements (effective for annual reporting periods commencing on or after 1 January 2013). AASB 10 introduces certain changes to the consolidation principles, including the concept of de facto control and changes in relation to the special purpose entities. Kasbah Resources is continuing to assess the impact of the standard.
- AASB 11 Joint Arrangements (effective for the annual reporting periods commencing on or after 1 January 2013). AASB 11 introduces certain changes to the accounting for joint arrangements. Joint arrangements will be classified as either joint operations (where parties with joint control have rights to assets and obligations for liabilities) or joint ventures (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method. Kasbah Resources is continuing to assess the impact of the standard.
- AASB 13 Fair Value Measurement (effective for annual reporting periods commencing on or after 1 January 2013). AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value on the balance sheet or disclosed in the notes to the financial statements. Kasbah Resources is continuing to assess the impact of the standard.
- IAS 1 Presentation of Financial Statements (effective for annual reporting periods commencing on or after 1 July 2013). IAS 1, amended in June 2011, introduces amendments to align the presentation items of other comprehensive income with US GAAP. Kasbah Resources will apply the amended standard from 1 July 2013. When the standard is first adopted, there will be changes to the presentation of the statement of comprehensive income. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 1054 Australian Additional Disclosures (effective for annual reporting periods beginning on or after 1 July 2011). AASB 1054, issued in May 2011, moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. AASB 1054 Australian Additional Disclosures removes the requirement to disclose each class of capital commitments contracted for at the end of the reporting period (other than commitments for the supply of inventories). When the standard is adopted for the first time for the financial year ending 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective for annual reporting periods beginning on or after 1 January 2013). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. Kasbah Resources is continuing to assess its full impact.
- Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective for annual reporting periods beginning on or after 1 January 2011). In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party. Kasbah Resources will apply the amended standard from 1 July 2011. When the amendments are applied, Kasbah Resources will need to disclose any transactions between its subsidiaries and its associates. However, there will be no impact on any of the amounts recognised in the financial statements.
- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013). On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Kasbah Resources is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards - Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the entity.
- AASB 2010-8 Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012). In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model. AASB 112 requires the measurement of deferred tax assets and liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale. The amendment introduces a rebuttable presumption that investment property which is measured at fair value is recovered entirely by sale. The amendment is not expected to have any significant impact on Kasbah Resources' financial statements. Kasbah Resources intends to apply the amendment from 1 July 2012.
- AASB 119 Employee benefits expected to be settled (as opposed to due to be settled under current standard) within 12 months after the end of the reporting period are short-term benefits, and therefore not discounted when calculating the leave liabilities. Annual leave not expected to be used within 12 months of end of reporting period will in future be discounted when calculating leave liability. This standard has no impact as there are no annual leave provision amounts that are non-current. Kasbah will apply this from 1 July 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2. REVENUE

	Consolidated	
	2011	2010
	\$	\$
Interest revenue	875,437	79,840

## 3. EXPENSES

Loss before income tax includes the following items:

Lease Rentals	80,178	46,250
Superannuation expense	98,808	46,988
Depreciation and amortisation		
Plant and equipment	176,370	109,078
Amortisation - Software	7,331	16,608
	183,701	125,686
Impairment of other assets		
Value Added Tax	57,338	45,961
Exploration and evaluation expenditure	1,140,460	-
	1,197,798	45,961

Impairment:

The Company has written down the carrying value of the Tamlalt Gold project by \$1,140,460. This is as a result of the Company's decision to focus on the Company's Achmmach Tin project. As the Company's focus is on the tin project, there is no future exploration expenditure forecast for Tamlalt. Therefore the Board has approved the impairment as the requirements to carry forward this expenditure under AASB 6: Exploration for and Evaluation of Mineral Resources is no longer met.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4. INCOME TAX EXPENSE

	Consolidated	
	2011	2010
	\$	\$
<b>a) Income tax expense (benefit)</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>b) Reconciliation of income tax expense to prima facia tax payable:</b>		
<b>Profit /(Loss) before income tax expense</b>	(11,335,286)	(5,997,500)
Tax at Australian tax rate 30% (2010: 30%)	(3,400,586)	(1,799,250)
Tax effect of amounts not deductible (taxable) in calculating taxable income	76,899	(85,297)
Deferred tax assets not brought to account on tax losses and temporary difference	3,323,687	1,884,547
	-	-
<b>c) Deferred Tax Assets</b>		
Temporary differences	78,975	7,500
Tax losses - Revenue	7,529,849	4,029,038
	7,608,824	4,036,538
<b>d) Offset against Deferred Tax</b>		
Liabilities recognised	(104,540)	(1,259)
Offset by Deferred Assets not brought to account	7,504,284	4,035,279
<b>e) Deferred Tax Liabilities</b>		
Temporary differences	(104,540)	1,259
Offset by Deferred Assets not recognised	104,540	(1,259)
	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5. REMUNERATION OF AUDITORS

	Consolidated	
	2011	2010
	\$	\$
Audit Services		
Auditors of the Company – BDO Audit (WA) Pty Ltd	38,500	35,500
Remuneration of other auditor for subsidiaries	27,903	22,796
Total remuneration for Audit services	66,403	58,296
Amounts received, or due and receivable, for taxation and other services by:		
Affiliated companies to BDO Audit (WA) Pty Ltd	101,095	27,149

## 6. CASH AND CASH EQUIVALENTS

	Consolidated	
	2011	2010
	\$	\$
Cash at bank and in hand	2,977,343	3,528,380
Short-term deposits	18,873,508	210,000
	21,850,851	3,738,380

### Risk Exposure

The Groups' exposure to interest rate risk is disclosed in note 23. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7. TRADE AND OTHER RECEIVABLES

	Consolidated	
	2011	2010
	\$	\$
<b>Current</b>		
Trade and other receivables	624,411	32,995
Prepayments	72,927	34,792
VAT receivable	287,738	230,400
Impairment of VAT	(287,738)	(230,400)
	697,338	67,787

As at 30 June 2011 the trade debtors of the Group were Nil (2010: Nil). No trade and other receivables balances were past their due date at 30 June 2011 (2010: Nil) and hence no impairment has been recognised. Refer Note 23 for the Group entity's credit risk policy. The carrying amount of trade and other receivables approximates fair value and no allowance has been made for non-recovery.

### Impaired VAT Receivable

As at 30 June 2011 the Group had VAT receivable in Morocco of \$287,738 (2010: \$230,400). The VAT is recoverable against generation of revenue in a twelve month rolling period for which the Group would be required to remit VAT. The Company has determined that at this stage of exploration it is not probable that it would generate sufficient revenue in the next twelve months to recoup the VAT and as such the whole of the VAT receivable has been treated as impaired.

	Consolidated	
	2011	2010
	\$	\$
Opening balance VAT receivable	230,400	184,439
VAT receivable for year	57,338	45,961
Closing balance of VAT receivable	287,738	230,400
Opening balance impairment of VAT	(230,400)	(184,439)
Impairment recognised for the year	(57,338)	(45,961)
Total provision for impairment of VAT	(287,738)	(230,400)

## 8. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

### Current

Tamlalt permits held for sale	1	-
	1	-

During the year the Board made the decision to focus on the Company's Achmmach tin project. Capitalised exploration and evaluation costs associated with the Tamlalt gold project was impaired (see note 10 for further details). Subsequently the Company has decided to divest the Tamlalt exploration permits. As it is now highly probable the asset will be realised through a sale rather than continuing use it has been reclassified as a non-current asset held for sale.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2011	2010
	\$	\$
Plant and equipment – at cost	938,006	504,446
Less: Accumulated depreciation	(313,289)	(181,921)
Total plant and equipment at net book value	<u>624,717</u>	<u>322,525</u>
Motor vehicles – at cost	207,372	104,571
Less: Accumulated depreciation	(76,466)	(53,198)
Total motor vehicles at net book value	<u>130,906</u>	<u>51,373</u>
Computer software – at cost	133,590	58,475
Less: Accumulated amortisation	(68,206)	(58,475)
Total computer software at net book value	<u>65,384</u>	<u>-</u>
<b>Total Property Plant and Equipment</b>	<b><u>821,007</u></b>	<b><u>373,898</u></b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

	<b>Consolidated</b>	
	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>Plant and Equipment</b>		
Carrying amount at beginning of year	322,525	176,176
Additions	463,635	242,806
Disposals	(7,352)	-
Movement due to foreign exchange	(7,325)	(9,958)
Depreciation	(146,766)	(86,499)
Carrying amount at end of year	<u>624,717</u>	<u>322,525</u>
<b>Motor Vehicles</b>		
Carrying amount at beginning of year	51,373	72,188
Additions	109,137	-
Disposals	-	-
Movement due to foreign exchange	(2,404)	1,764
Depreciation	(27,200)	(22,579)
Carrying amount at end of year	<u>130,906</u>	<u>51,373</u>
<b>Computer Software</b>		
Carrying amount at beginning of year	-	16,608
Additions	75,115	-
Disposals	-	-
Movement due to foreign exchange	-	-
Amortisation	(9,731)	(16,608)
Carrying amount at end of year	<u>65,384</u>	<u>-</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 10. EXPLORATION AND EVALUATION EXPENDITURE

	Consolidated	
	2011	2010
	\$	\$
Costs carried forward in respect of areas of interest in:		
<b>Exploration and/or evaluation phase</b>		
Balance at beginning of year	1,140,461	1,406,685
Exploration and evaluation expenditure written- off	(1,140,460)	-
Movement due to foreign exchange	-	(266,224)
Reclassification as an asset held for sale	(1)	-
Total exploration and evaluation expenditure	-	1,140,461

Impairment:

The Company has written down the carrying value of the Tamlalt Gold project, being \$1,140,460 (2010: Nil). This is as a result of the Company's decision to focus on the Company's Achmmach Tin project. As the Company's focus is on the tin project, there is no future exploration expenditure forecast for Tamlalt. Therefore the Board has approved the impairment as the requirements to carry forward this expenditure under AASB 6: Exploration for and Evaluation of Mineral Resources is no longer met. The Company is now seeking to divest the Tamlalt permits and the asset has been transferred from exploration expenditure to non-current assets held for sale (see note 8).

## 11. TRADE AND OTHER PAYABLES

	Consolidated	
	2011	2010
	\$	\$
<b>Current</b>		
Trade payables	636,693	88,968
Other payables	433,975	605,119
	1,070,668	694,087

Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 23.

## 12. NON-CURRENT LIABILITIES – PROVISIONS

	Consolidated	
	2011	2010
	\$	\$
Employee benefits – long service leave	20,651	-
	20,651	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 13. CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	2011	2010	2011	2010
	Number of Shares	Number of Shares	\$	\$
<b>Issued and Paid-up Capital</b>				
Ordinary shares, fully paid	364,262,596	237,315,006	48,838,722	19,998,350
Performance shares	-	-	-	-
Total issued capital	364,262,596	237,315,006	48,838,722	19,998,350
<b>Movements in ordinary share capital</b>				
Balance at the beginning of the financial year	237,315,006	177,000,006	19,998,350	11,725,850
Automatic conversion of Performance Shares at 1000 to 1 into ordinary shares (Feb 2010)	-	15,000	-	3,750,000
Share placement to Traxys Projects LP at 7.5 cents (Apr 2010)	-	13,300,000	-	997,500
Share placement to African Lion Group at 7.5 cents (Jun 2010)	-	14,500,000	-	1,087,500
Share placement to International Finance Corporation at 7.5 cents (Jun 2010)	-	32,500,000	-	2,437,500
Share placement at 24 cents (Oct 2010) -Tranche 1	35,000,000	-	8,400,000	-
Share placement at 24 cents (Dec 2010) -Tranche 2	52,500,000	-	12,600,000	-
Share issues pursuant to Share Purchase Plan	37,497,590	-	8,999,422	-
Less Capital Raising Costs	-	-	(1,499,050)	-
Exercise of options at 20c (Feb 2011)	800,000	-	160,000	-
Exercise of options at 10c (Mar 2011)	500,000	-	50,000	-
Exercise of options at 20c (Mar 2011)	650,000	-	130,000	-
Issued capital at end of period	364,262,596	237,315,006	48,838,722	19,998,350
<b>Movements in Performance share capital</b>				
Balance at the beginning of the financial year	-	15,000,003	-	3,750,000
Automatic conversion of Performance Shares at 1000 to 1 into ordinary shares (Feb 2010)	-	(15,000,003)	-	(3,750,000)
Issued capital at end of period	-	-	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are entitled to any proceeds of liquidation.

Ordinary shares have no par value and the Company does not therefore have a limit to the amount of its authorised capital.

Performance shares were converted into ordinary shares at 1000 to 1 upon the Company not exercising its exclusive option to acquire 100% of the Achmmach Project on or before 14 February 2010 and thereby not satisfying that condition. Holders of performance shares were not entitled to vote on any resolutions nor did they have entitlement to dividends.

## 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 amounts 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.

## 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 target 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14. RESERVES

	Consolidated	
	2011	2010
	\$	\$
Share based payment reserve	2,759,020	2,503,854
Foreign currency translation reserve	(518,433)	(409,620)
	2,240,587	2,094,234
Share based payment reserves		
Opening Balance 01/07/2010	2,503,854	2,289,163
Employee share based payments	255,166	214,691
	2,759,020	2,503,854
Foreign currency translation reserve		
Opening Balance 01/07/2010	(409,620)	(20,869)
Currency translation differences	(108,813)	(388,751)
	(518,433)	(409,620)

### 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(i).

## 15. ACCUMULATED LOSSES

	Consolidation	
	2011	2010
	\$	\$
Opening accumulated losses	(17,466,145)	(11,468,645)
(Loss) after related income tax	(11,335,286)	(5,997,500)
Accumulated losses at end of the year	(28,801,431)	(17,466,145)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 16. RELATED PARTY DISCLOSURES

### a) Transactions with Directors' related entities

Transactions between parties are on normal commercial terms and conditions unless otherwise stated.

A director, Mr Wayne Bramwell, is a director and shareholder of Sabre Ventures Pty Ltd (Sabre). Sabre was paid \$52,690 (2010: \$42,241) during the year for secretarial and support services to Kasbah pertaining to the Moroccan entity. At 30 June 2011 \$1,430 was payable to Sabre Ventures Pty Ltd (2010: \$3,218).

### b) Balances With Controlled Entities

During the year ended 30 June 2011 the parent entity advanced loans to its subsidiaries of \$2,453,051 (2010: \$1,577,046).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17. KEY MANAGEMENT PERSONNEL

### (a) Remuneration of Key Management Personnel

Remuneration of Directors and other Key Management Personnel:

	Consolidated	
	2011	2010
	\$	\$
Short-term employee benefits	974,038	702,669
Post employment benefits	106,959	55,964
Long term employment benefits	-	-
Share based payments	221,861	195,697
	<u>1,302,858</u>	<u>954,330</u>

Detailed remuneration disclosures are provided in the remuneration report on page 23.

### (b) Equity Instruments Disclosures Relating to Key Management Personnel

Options and Rights Holdings:

Number of Options held directly or indirectly by specified Key Management Personnel ("KMP")

2011 Directors	Held at 1 July 2010	Granted as Remuneration	Exercised	Net * Change/Other	Held at 30 June 2011	Balance Nominally Held	Balance Vested	Balance Unvested
Wayne Bramwell	4,000,000	-	-	-	4,000,000	4,000,000	2,000,000	2,000,000
Rodney Marston	1,875,000	-	-	-	1,875,000	1,875,000	1,875,000	-
Robert Weinberg	1,875,000	-	-	-	1,875,000	1,875,000	1,875,000	-
Graeme Walker	3,325,000	-	-	(3,325,000)	-	-	-	-
<b>KMP</b>								
Mike Kitney	-	-	-	-	-	-	-	-
Chris Bolger	1,000,000	-	-	-	1,000,000	1,000,000	-	1,000,000
Trevor O'Connor	-	-	-	-	-	-	-	-
Jeffrey Lindhorst	1,500,000	-	-	(1,500,000)	-	-	-	-
Trevor Hart	1,000,000	-	-	(1,000,000)	-	-	-	-
<b>Total</b>	<u>14,575,000</u>	<u>-</u>	<u>1,950,000</u>	<u>(5,825,000)</u>	<u>8,750,000</u>	<u>8,750,000</u>	<u>5,750,000</u>	<u>3,000,000</u>

\* The amount shown under Net Change/Other includes an amount to reduce the holding to zero upon resignation of the person during the year.

Jeffrey Lindhorst no longer meets the definition for disclosure as a key management person.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2010 Directors	Held at 1 July 2009	Granted as Remuneration	Exercised	Net Change/ Other*	Held at 30 June 2010	Balance Nominally Held	Balance Vested	Balance Unvested
Wayne Bramwell	4,000,000	-	-	-	4,000,000	4,000,000	2,000,000	2,000,000
Rodney Marston	1,875,000	-	-	-	1,875,000	1,875,000	1,500,000	375,000
Robert Weinberg	1,875,000	-	-	-	1,875,000	1,875,000	1,500,000	375,000
Graeme Walker	3,325,000	-	-	-	3,325,000	3,325,000	2,950,000	375,000
<b>KMP</b>								
Chris Bolger	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Trevor Hart	-	1,000,000	-	-	1,000,000	1,000,000	-	1,000,000
Jeffrey Lindhorst	1,000,000	500,000	-	-	1,500,000	1,500,000	500,000	1,000,000
<b>Total</b>	<b>12,075,000</b>	<b>2,500,000</b>	<b>-</b>	<b>-</b>	<b>14,575,000</b>	<b>14,575,000</b>	<b>8,450,000</b>	<b>6,125,000</b>

\* The amount shown under Net Change/Other includes an amount to reduce the holding to zero upon resignation of the person during the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## (c) Shareholdings:

Number of Shares held directly or indirectly by Key Management Personnel (“KMP”)

2011 Directors	Held at 1 July 2010	Granted as Remuneration	Options Exercised	Net Change Other *	Held at 30 June 2011	Balance Nominally Held
Michael Spratt	-	-	-	648,412	648,412	648,412
Wayne Bramwell	9,263,002	-	-	23,940	9,286,942	9,857,412
Rodney Marston	1,480,000	-	-	(756)	1,479,244	1,479,244
Robert Weinberg	440,000	-	-	35,912	475,912	475,912
Ian McCubbing	-	-	-	200,000	200,000	200,000
Graeme Walker	400,000	-	-	(400,000)	-	-
<b>KMP</b>						
Mike Kitney	-	-	-	224,004	224,004	224,004
Chris Bolger	-	-	-	41,666	41,666	41,666
Trevor O’Connor	-	-	-	-	-	-
Jeffrey Lindhorst	-	-	-	-	-	-
Trevor Hart	515,000	-	-	(515,000)	-	-
<b>Total</b>	<b>12,098,002</b>	<b>-</b>	<b>-</b>	<b>258,178</b>	<b>12,356,180</b>	<b>12,926,650</b>

\* The amount shown under Net Change/Other includes an amount to reduce the holding to zero upon resignation of the person during the year.

Jeffrey Lindhorst no longer meets the definition for disclosure as a key management person.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2010 Directors	Held at 1 July 2009	Granted as Remuneration	Options Exercised	Net Change Other	Held at 30 June 2010	Balance Nominally Held
Wayne Bramwell	13,259,003	-	-	(3,996,001)*	9,263,002	9,759,002
Rodney Marston	1,480,000	-	-	-	1,480,000	1,480,000
Graeme Walker	400,000	-	-	-	400,000	400,000
Robert Weinberg	440,000	-	-	-	440,000	440,000
<b>KMP</b>						
Chris Bolger	-	-	-	-	-	-
Jeffrey Lindhorst	-	-	-	-	-	-
Trevor Hart	-	-	-	515,000	515,000	515,000
<b>Total</b>	<b>15,579,003</b>	<b>-</b>	<b>-</b>	<b>(3,481,001)</b>	<b>12,098,002</b>	<b>12,098,002</b>

\* Wayne Bramwell had 4,000,001 performance shares automatically converted at 1000 to 1 into 4,000 ordinary shares on the 14 February 2010 as per the Performance Share agreement.

## (d) Loans

There were no loans to key management personnel at the year end.

## (e) Other Transactions with key management personnel

Refer to Note 16 (a) for details of other transactions with key management personnel.

Refer to Note 18 for the share based payments to key management personnel.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 18. SHARE BASED PAYMENTS EMPLOYEE BENEFITS

The Company did not grant any new options to employees during the financial year (2010: 3,000,000).

Under the Company's Incentive Option Scheme all options issued can be exercised to acquire one ordinary share. The exercise price of the options is determined by the Directors. Share options are granted at the discretion of the Board.

All unvested employee options expire on the earlier of their expiry date or upon termination of the employee's employment.

There are no voting rights attached to the options.

Details of options as at the beginning and end of the reporting periods and movements during the year are set out below.

Ref	Expiry date	Exercise price	Number of options at beginning of year	Options granted	Options cancelled	Options exercised	Number of options on issue at end of year	
							Vested	Unvested
(a)	10 May 2011	\$0.20	1,450,000	-	-	(1,450,000)	-	-
(b)	1 Jul 2011	\$0.25	1,125,000	-	(375,750)	-	749,250	-
(c)	15 Nov 2011	\$0.25	5,625,000	-	-	-	5,625,000	-
(d)	15 Nov 2011	\$0.25	9,000,000	-	(5,000,000)	-	2,000,000	2,000,000
(e)	1 May 2013	\$0.35	1,000,000	-	-	-	1,000,000	-
(f)	11 Jul 2013	\$0.25	1,000,000	-	-	-	1,000,000	-
(g)	5 Jan 2015	\$0.10	1,500,000	-	(500,000)	(500,000)	250,000	250,000
(h)	5 Oct 2015	\$0.10	1,500,000	-	-	-	-	1,500,000
			22,200,000	-	(5,875,750)	(1,950,000)	10,624,250	3,750,000

The following share-based payment arrangements existed during the financial year:

- (a) 500,000 options were issued in 2006 to a director and were subsequently varied resulting in 1,450,000 options being issued at an exercise price of 20 cents and an expiry date of 11 May 2011. All 1,450,000 options were exercised during the year.
- (b) 1,125,000 options were issued in 2008 to a Director with an exercise price of 25 cents and expiry date of 1 July 2011. The options were exercisable on the following basis;
  - 1/3 of the options were exercisable on issue;
  - 1/3 of the options were exercisable from the first anniversary of the issue date; and
  - 1/3 of the options were exercisable from the second anniversary of the issue date.

During the year 375,750 were cancelled due to failure to meet vesting conditions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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- (c) 5,625,000 options were issued in 2006 to the Directors with an exercise price of 25 cents and expiry date of 15 November 2011. The options are exercisable on the following basis;
- 20% of the options were exercisable on issue; and
  - 20% of the options were exercisable from the first anniversary and each subsequent anniversary of the Director's appointment.

- (d) 9,000,000 options were issued in 2006 to the executive Directors and the Chief Financial Officer with an exercise price of 25 cents and an expiry date of 15 November 2011.

The first tranche of 4,500,000 options had the following vesting conditions:

- 12 months service to the Company from the date of issue of the options; and
- the Kasbah share price trading at no less than 37.5 cents for five consecutive trading days.

The second tranche of 4,500,000 options had the following vesting conditions:

- 24 months service to the Company from the date of issue of the options; and
- the Kasbah share price trading at no less than 50 cents for five consecutive trading days.

5,000,000 of these options were cancelled during the year due to failure to meet vesting conditions.

- (e) 1,000,000 options were issued in 2008 to an employee with an exercise price of 35 cents and an expiry date of 1 May 2013. The options are exercisable on the following basis:
- 50% of the options were exercisable from the date of issue of the options; and
  - 50% of the options were exercisable from 31 December 2008.

- (f) 1,000,000 options were issued to an employee during 2008 with an exercise price of 25 cents and an expiry date of 11 July 2013. The options are exercisable on the following basis:
- 50% of the options were exercisable from the first anniversary of the issue date; and
  - 50% of the options were exercisable from the second anniversary of the issue date.

- (g) 1,500,000 options were issued in 2010 to employees of the Company with an exercise price of 10 cents and an expiry date of 5 October 2015. The options are exercisable on the following basis:
- 50% were exercisable from the first anniversary of issue date; and
  - 50% are exercisable from the second anniversary of issue date.

During the year 500,000 were cancelled due to failure to meet vesting conditions and a further 500,000 were exercised.

- (h) 1,500,000 options were issued in 2010 to employees of the Company with an exercise price of 10 cents and an expiry date of 20 April 2015. The options are exercisable on the following basis:
- 50% are exercisable from the first anniversary of the issue date; and
  - 50% are exercisable from the second anniversary of the issue date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Using a Black-Scholes option valuation methodology, the fair values of the options issued in 2010 were calculated. The following assumptions were used:

Input	Value	Value
Grant date	5 January 2010	20 April 2010
Share price	\$0.08	\$0.09
Exercise price	\$0.10	\$0.10
Expected volatility	120%	120%
Expiry date	5 January 2015	20 April 2015
Expected dividend	Nil	Nil
Risk free interest rate	5.27%	5.53%

The weighted average share price at the date of exercise of options exercised during the year ended 30 June 2011 was \$0.32 (2010: not applicable).

The options outstanding at 30 June 2011 had a weighted average exercise price of \$0.236 (2010: \$0.227) and a weighted average remaining life of 1.09 years (2010: 1.79 years).

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.

	2011 Number of Options	2011 Weighted Average Price \$	2010 Number of Options	2010 Weighted Average Price \$
<b>Outstanding at the beginning of the year</b>	22,200,000	0.227	22,200,000	-
Granted	-	-	3,000,000	0.10
Forfeited	-	-	-	-
Exercised	(1,950,000)	0.174	-	-
Expired	(5,875,750)	0.237	(3,000,000)	-
Outstanding at year end	14,374,250	0.240	22,200,000	0.227
Exercisable at year end	10,624,250	0.256	12,692,500	0.252

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19. SEGMENT INFORMATION

The Board has determined that the Company has one reportable segment, being mineral exploration in Morocco. As the Company is focused on mineral exploration, the Board monitors the Company based on actual versus budgeted exploration expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities.

### Segment information provided to the Board:

	Consolidated	
	2011	2010
	\$	\$
Revenue from external customers	-	-
Reportable segment loss	(9,540,912)	(4,197,531)
Reportable segment assets	1,248,600	1,496,412
Reportable segment liabilities	(748,458)	(506,215)

### Reconciliation of revenue from external customers to total revenue is as follows:

Segment Revenue	-	-
Unallocated		
Interest	875,437	79,840
Other	165,173	41,632
Total revenue as per continuing operations	1,040,610	121,472

### Reconciliation of reportable segment loss to operating loss before income tax is as follows:

Total loss for reportable segment	(9,540,912)	(4,197,531)
Unallocated		
Corporate expenses	(2,669,902)	(1,921,441)
Interest revenue	875,437	79,840
Other	91	41,632
Loss before income tax from continuing operations	(11,335,286)	(5,997,500)

### Reconciliation of reportable segment assets to total assets is as follows:

Segment Assets	1,248,600	1,496,412
Unallocated		
Cash	21,629,548	3,738,380
Other	491,049	85,734
Total assets as per statement of financial position	23,369,197	5,320,526

### Reconciliation of reportable segment liabilities to total liabilities is as follows:

Segment Liabilities	(748,458)	(506,215)
Unallocated		
Payables	(329,684)	(187,872)
Provisions	(13,178)	-
Total liabilities as per statement of financial position	(1,091,319)	(694,087)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20. NOTES TO STATEMENTS OF CASH FLOWS

### (a) Reconciliation of Cash

	Consolidated	
	2011	2010
	\$	\$
Cash assets	21,850,851	3,738,380

### (b) Reconciliation of profit/(loss) after income tax to net cash provided by operating activities

Profit/(Loss) after income tax	(11,335,286)	(5,997,500)
Add/(less) items classified as investing/financing activities		
Depreciation	183,701	125,686
Option base payment expense	255,166	214,691
Impairment of expenses	1,172,947	82,640
Net cash utilised in operating activities before change in assets and liabilities	(9,723,472)	(5,574,483)
<b>(Increase)/Decrease in Assets</b>		
Receivables	(702,454)	1,158
<b>Increase/(Decrease) in Liabilities</b>		
Payables	369,963	246,195
<b>Net Exchange Differences</b>	(38,819)	-
Net cash utilised in operating activities	(10,094,782)	(5,327,130)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 21. PARENT ENTITY INFORMATION

The following information relates to the parent entity, Kasbah Resources Limited, at 30 June 2011. The information presented has been prepared using consistent accounting policies as presented in Note 1.

	Parent	
	2011	2010
	\$	\$
Current assets	23,002,765	6,058,635
Non-current assets	193,589	65,601
<b>Total assets</b>	<b>23,196,354</b>	<b>6,124,236</b>
Current liabilities	869,440	649,677
Non-current liabilities	20,651	-
<b>Total liabilities</b>	<b>890,091</b>	<b>649,677</b>
Contributed equity	48,838,722	19,998,350
Accumulated losses	(29,291,479)	(17,027,645)
Option reserve	2,759,020	2,503,854
<b>Total equity</b>	<b>22,306,263</b>	<b>5,474,559</b>
Loss for the year	(12,263,834)	(5,564,043)
Other comprehensive income	-	-
<b>Total comprehensive loss for the year</b>	<b>(12,263,834)</b>	<b>(5,564,043)</b>

The parent entity has not entered into any guarantees with its subsidiaries.

There are no contingent liabilities of the parent entity.

Details of the contractual commitments of the Parent are those as contained in Note 25 which are the same as the contractual commitments for the Group.

## 22. (LOSS) PER SHARE

	2011	2010
	Cents	Cents
Basic earnings / (loss) per share (cents per share)	(3.61)	(3.30)
Diluted earnings / (loss) per share (cents per share)	(3.61)	(3.30)
Weighted average number of ordinary shares used in the calculation of basic and diluted loss per share	313,793,098	181,474,362
Net (loss) attributed to EPS	(11,335,286)	(5,997,500)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 23. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Financial Risk Management

#### Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the 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 Groups' surplus cash investments.

In Australia funds are deposited with financial institutions which have AA credit ratings and in Morocco with financial institutions which have A+ credit ratings. Sufficient funds to cover only one quarter's funding requirements are maintained in Morocco.

#### Other receivables

The Group operates in the mining exploration sector, has no trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

#### Exposure to Credit Risk

The carrying amount of the Group's financial assets represents the maximum credit exposures, with none of the receivables being past due or impaired. The Group's maximum exposure to credit risk at the reporting date was:

	Consolidated	
	2011	2010
	\$	\$
Trade and other receivables	552,373	4,195
Cash and cash equivalents	21,850,851	3,738,380

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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 that it will always have sufficient liquidity to meet its liabilities when they fall 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:

	Carrying Amount	6 Mths or less	6-12 Mths	1-2 Years	2-5 Years	More than 5 Years
Consolidated 30 June 2011	\$	\$	\$	\$	\$	\$
Trade and other payables	812,586	812,586	-	-	-	-
	812,586	812,586	-	-	-	-
<b>Consolidated 30 June 2010</b>						
Trade and other payables	562,779	562,779	-	-	-	-
	562,779	562,779	-	-	-	-

## 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 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. The currencies in which these transactions primarily are denominated are USD, EURO's and GBP.

## Exposure to currency risk

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

Consolidated	30 June 2011			30 June 2010		
	USD	EUR	GBP	USD	EUR	GBP
Cash and Cash equivalents	-	-	-	-	-	-
Trade and other receivables	115,790	-	-	-	-	-
Trade and other payables	(219,334)	(37,768)	(54,934)	(402,601)	(10,274)	-
Gross statement of financial position exposure	(103,544)	(37,768)	(54,934)	(402,601)	(10,274)	-

## Sensitivity analysis

A 10 percent strengthening or weakening 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 based on foreign currency exchange rate variances that the Group considered to be reasonable at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

	Equity	Profit or loss
<b>30 June 2011</b>		
USD	-	10,354
EUR	-	3,777
GBP	-	5,493
<b>30 June 2010</b>		
USD	-	40,260
EUR	-	1,027
GBP	-	-

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## Interest rate risk

The Group is exposed to interest rate risk. The Group's exposure to market interest rates relate primarily to cash and cash equivalents held in Australian financial institutions. At 30 June 2011 all cash and cash equivalents in Australia were held with two financial institutions.

At the reporting date, if interest rates had been 50 basis points (0.5%) higher or lower and all other variables were held constant, the Group's net profit would increase by \$109,254 or decrease by \$109,254 (2010: \$18,692). This is mainly attributable to the Group's exposure to interest rates on its deposits.

	Consolidated	
	2011	2010
	\$	\$
Cash and cash equivalents	2,977,343	3,528,380
Short term cash deposits	18,873,508	210,000
	<u>21,850,851</u>	<u>3,738,380</u>

## Net Fair Values of Financial Assets and Liabilities

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. The Group does not carry any financial instruments at fair value therefore their disclosures are not presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 24. CONTROLLED ENTITIES

	Interest Held 2011 %	Interest Held 2010 %
<b>(a) Particulars in relation to controlled entities</b>		
<b>Parent entity</b>		
Kasbah Resources Limited		
<b>Controlled entities</b>		
Kasbah Gold SARLAU	100	100
Hamada Minerals SARLAU	100	100

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25. COMMITMENTS

	Consolidated	
	2011	2010
	\$'000	\$'000
<b>Lease/Hire Purchase Commitments</b>		
Operating lease repayments are payable as follows:		
not later than one year	107,928	9,167
later than one year but not later than five years	272,806	-
	380,734	9,167
<b>Remuneration Commitments</b>		
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 not later than one year		
	268,120	250,000
Later than one year but not later than five years	-	-
	268,120	250,000

Amounts disclosed as remuneration commitments include commitments arising from the services contracts of key management personnel referred to in the remuneration report on page 23 which are not recognised as liabilities and are not included in the key management personnel compensation.

### Drilling Expenditure Commitments

At year end the Company had no drilling expenditure commitments (2010: \$1,021,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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## 26. EVENTS SUBSEQUENT TO REPORTING DATE

On 5 August 2011 the Company announced that it had received approval from the Moroccan Ministry for Energy, Mines, Water and Environment for the assignment of 100% of the Achmmach Tin Project to Kasbah's wholly owned Moroccan subsidiary. An agreement had been previously signed with the Office National des Hydrocarbures et des Mines ("ONHYM") to assign 100% of the two granted mining permits which constitute the Achmmach Tin Project. The ministerial approval completes the assignment process.

As per the terms of the original memorandum of understanding signed between Kasbah and ONHYM in November 2005, the mining permits that encompass the Achmmach tin deposit are to be assigned for US\$5,000,000 (exclusive of taxes). ONHYM is also entitled to a 3% net smelter royalty (NSR) payable after the end of the first year of production from Achmmach.

The total consideration is to be paid in five equal annual payments with title to the permits transferring 100% on the first payment. The first payment is likely to occur in October 2011.

# DIRECTORS' DECLARATION

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The Directors of Kasbah Resources Limited ("The Company") declare that:

1. The consolidated financial statements, comprising the statement of financial position, statement of comprehensive income, statement of cash flows, 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 consolidated financial position as at 30 June 2011 and of its performance for the year ended on date.
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 23 to 29 of the Directors' Report (as part of the audited Remuneration Report); for the year ended 30 June 2011, comply with section 300A of the Corporations Act 2001.
4. The Directors have been given the declarations by the Managing Director and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011.
5. Note 1 confirms that the financial statements comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 day 29 of September 2011

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KASBAH RESOURCES LIMITED

### Report on the Financial Report

We have audited the accompanying financial report of Kasbah Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 of the financial report that gives a true and fair view 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 opinion.

### 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*, which has been given to the directors of Kasbah Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



## 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 consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards 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 in the directors' report for the year ended 30 June 2011. 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.

## Opinion

In our opinion, the Remuneration Report of Kasbah Resources Limited for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Brad McVeigh  
Director

Perth, Western Australia  
Dated this 29<sup>th</sup> day of September 2011

# ASX ADDITIONAL INFORMATION

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Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information was prepared based on share registry information processed up to 22 September 2011

## CAPITAL STRUCTURE

364,262,596 fully paid shares listed on the Australian Stock Exchange. The Company has 46,275,000 unquoted options on issue.

## DISTRIBUTION OF SHAREHOLDERS

The distribution of shareholdings as at 22 September 2011 was:

Range	No. of Holders	No. of Securities
1 – 1,000	124	17,943
1,001 - 5,000	818	2,626,861
5,001 – 10,000	732	6,252,198
10,001 – 100,000	2,376	87,831,801
100,001 + over	275	267,533,793
Total	4,325	364,262,596
Less than a marketable parcel	465	691,166

## SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares	% of Issued Shares
Lion Selection Group Limited	46,194,879	12.68
International Finance Corporation	46,194,879	12.68

## VOTING RIGHTS

Under the Company's constitution, every member present in person or by representative, proxy or attorney shall have one vote on a show of hands and on a poll have one vote for every ordinary share held.

# ASX ADDITIONAL INFORMATION

## TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

Name	Number of Shares	% of Total Issued Shares
1. International Finance Corporation	46,194,879	12.68
2. African Lion 3 Limited	28,194,879	7.74
3. JP Morgan Nominees Australia Limited (Cash Income A/C)	22,265,130	6.11
4. African Lion 2 Limited	18,000,000	4.94
5. Bond Street Custodians Limited (Officium Emerging Res A/C)	11,516,305	3.16
6. Tarifa Investments Pty Ltd (Tarifa Investments A/C)	8,115,972	2.23
7. Thailand Smelting & Refining Company Limited	8,083,334	2.22
8. HSBC Custody Nominees (Australia) Limited	7,541,795	2.07
9. Merrill Lynch (Australia) Nominees Pty Limited	7,107,319	1.95
10. RBC Dexia Investor Services Australia Nominees Pty Limited (BKCUST A/C)	6,281,284	1.72
11. JP Morgan Nominees Australia Limited	6,124,251	1.68
12. Societe Generale (Canada Branch)	6,000,000	1.65
13. Lujeta Pty Ltd (The Margaret Account)	4,565,030	1.25
14. Vulcan Custodian Limited	3,787,534	1.04
15. Mr Rupert James McCammon	3,300,000	0.91
16. Citicorp Nominees Pty Limited	2,921,983	0.80
17. Nefco Nominees Pty Ltd	2,266,033	0.62
18. Custodial Services Limited (Beneficiaries Holding A/C)	2,194,767	0.60
19. MD James Pty Ltd (The Mark James Family A/C)	1,795,912	0.49
20. UBS Nominees Pty Ltd	1,755,446	0.48
<b>Total 20 holders of Ordinary Fully Paid Shares</b>	<b>198,011,853</b>	<b>54.36</b>

# ASX ADDITIONAL INFORMATION

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## UNQUOTED SECURITIES (OPTIONS)

- 4,000,000 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. Details of the holdings are disclosed elsewhere in this annual report.
- 5,625,000 options issued in lieu of Director's 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.
- 6,650,000 Placement options with an exercise price of \$0.25 exercisable on or before 30 April 2012.
- 7,250,000 Placement options with an exercise price of \$0.25 exercisable on or before 8 June 2012.
- 16,250,000 Placement options with an exercise price of \$0.25 exercisable on or before 15 June 2012.
- 1,000,000 Management Options with an exercise price of \$0.35 exercisable on or before 01 May 2013 and subject to service length.
- 1,000,000 Management Options with an exercise price of \$0.25 exercisable on or before 11 July 2013 and subject to service length.
- 2,500,000 Management options with exercise price of \$0.25 exercisable on or before 26 August 2014 and subject to service length.
- 500,000 Management options with exercise price of \$0.10 exercisable on or before 5 January 2015 and subject to service length.
- 1,500,000 Management options with exercise price of \$0.10 exercisable on or before 5 October 2015 and subject to service length.