

KASBAH RESOURCES LIMITED
ABN 78 116 931 705

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2010

Corporate Directory

Directors

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

Company Secretary

Adrian Di Carlo

Registered and Principal Office

19 Hardy Street
South Perth WA 6151
Telephone: +618 9463 6651
Facsimile: +618 9463 6652
Email: info@kasbahresources.com
Web: www.kasbahresources.com

Share Register

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Level 2
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Perth WA 6000
Telephone: 1300 557 010
International: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Stock Exchange Listing

Australian Securities Exchange
Home Branch – Perth
2 The Esplanade
Perth WA 6000

ASX Code

KAS

Solicitors

Steinepreis Paganin
Lawyers & Consultants
Level 4
Next Building
16 Milligan Street
Perth WA 6000
Telephone: +618 9321 4000
Facsimile: +618 9321 4333

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008
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KASBAH RESOURCES LIMITED
ABN 78 116 931 705
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The half-year financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Kasbah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporation Act 2001*.

Directors' Report

The Board of Directors of Kasbah Resources Limited ("Kasbah" or the "Group") present their report on the Company for the half-year ended 31 December 2010.

DIRECTORS

The names of the Directors of Kasbah Resources Limited in office during the half-year and until the date of this report are:

Michael Spratt (Non-Executive Chairman)	Director since 2 August 2010
Wayne Bramwell (Managing Director)	
Rod Marston (Non-Executive Director)	
Robert Weinberg (Non-Executive Director)	
Ian McCubbing (Non-Executive Director)	Director since 1 March 2011
Gary Davison (Non-Executive Director)	Director since 1 March 2011
Graeme Walker (Non-Executive Director)	Resigned 30 November 2010

Unless otherwise shown, all Directors were in office from the beginning of the half-year until the date of this report.

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax for the half-year ended 31 December 2010 was \$6,123,105 after writing off exploration and development costs of \$3,987,298, impairment expense of \$1,124,313 and allowing for non-cash costs of \$141,165 for option based payment expense. As disclosed in Note 7 to the accounts whilst the Group holds exploration properties under option all exploration costs are required to be written off as incurred, regardless of the potential to develop the property.

Review of Operations and Changes in State of Affairs

During the half-year ended 31 December 2010 the Group continued drilling and exploration work at the Achmmach Tin Project.

Review of Operations and Changes in State of Affairs (continue)

A Placement and Share Purchase Plan in which 124,997,590 new shares were issued to raise \$29,999,422 before costs. The funds are to be used to continue exploration work at the Achmmach Tin project and provide working capital, this was approved by shareholders in November 2010 and completed shortly thereafter.

Subsequent Events after Balance Date

On the 1st March 2011 the Company announced the appointment of two new Non-executive directors, being Mr Ian McCubbing and Gary Davison.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (WA) Pty Ltd to provide the directors of Kasbah Resources Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 15 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors and on behalf of the Directors by:

A handwritten signature in black ink, appearing to read 'Wayne Bramwell', with a horizontal line underneath it.

Wayne Bramwell
Managing Director
South Perth, 10 March 2011

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2010

	Note	31 December 2010 \$	31 December 2009 \$
Revenue from continuing operations		174,245	71,897
Exploration and Development Costs	7	3,987,298	1,623,947
Share based payment expense		141,165	80,790
Accounting and Corporate fees		149,722	166,643
Employee Benefits expense		446,878	246,535
Occupancy expense		35,746	33,825
Administration costs		258,561	121,039
Depreciation and amortisation		75,584	62,080
Impairment expense	7	1,124,313	-
Travel costs		48,371	51,596
Other costs		29,712	58,154
Loss before income tax expense from continuing operations		(6,123,105)	(2,372,712)
Income tax expense		-	-
Loss for the half-year attributable to the members of Kasbah Resources Limited		(6,123,105)	(2,372,712)
Other Comprehensive Income			
Foreign currency translation differences on foreign operations		(57,402)	(209,701)
Total comprehensive income for the period attributable to the members of Kasbah Resources Limited		(6,180,507)	(2,582,413)
Basic loss per share (cents per share)		(2.3)	(1.2)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2010

	31 December	30 June
	2010	2010
	\$	\$
Note		
Current Assets		
Cash and cash equivalents	28,780,451	3,738,380
Trade and other receivables	240,048	32,995
Prepayments	18,538	34,792
Total Current Assets	29,039,037	3,806,167
Non-current Assets		
Property, plant and equipment	435,973	373,898
Exploration & Evaluation Assets	7 -	1,140,461
Total Non-current Assets	435,973	1,514,359
TOTAL ASSETS	29,475,010	5,320,526
Current Liabilities		
Trade and other payables	2,355,755	694,087
Total Current Liabilities	2,355,755	694,087
TOTAL LIABILITIES	2,355,755	694,087
NET ASSETS	27,119,255	4,626,439
EQUITY		
Issued Capital	48,530,508	19,998,350
Reserves	2,177,997	2,094,234
Accumulated losses	(23,589,250)	(17,466,145)
TOTAL EQUITY	27,119,255	4,626,439

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2010

	Issued Capital \$	Accumulated Losses \$	Share Based Payments	Foreign Currency Translation Reserve \$	Total \$
Balance as at 1 July 2009	15,475,850	(11,468,645)	2,289,163	(20,869)	6,275,499
Total comprehensive income for the period					
Loss for the period	-	(2,372,712)	-	-	(2,372,712)
Other comprehensive income					
Currency translation difference	-	-	-	(209,701)	(209,701)
Total comprehensive income for the period	-	(2,372,712)	-	(209,701)	(2,582,413)
Transactions with owners in their capacity as owners					
Share based payments	-	-	80,790	-	80,790
Balance as at 31 December 2009	15,475,850	(13,841,357)	2,369,953	(230,570)	3,773,876
Balance as at 1 July 2010	19,998,350	(17,466,145)	2,503,854	(409,620)	4,626,439
Total comprehensive income for the period					
Loss for the period	-	(6,123,105)	-	-	(6,123,105)
Other comprehensive income					
Currency translation difference	-	-	-	(57,402)	(57,402)
Total comprehensive income for the period	-	(6,123,105)	-	(57,402)	(6,180,507)
Transactions with owners in their capacity as owners					
Share based payments	-	-	141,165	-	141,165
Issue of fully paid shares	29,999,422	-	-	-	29,999,422
Equity raising expense	(1,467,264)	-	-	-	(1,467,264)
Balance as at 31 December 2010	48,530,508	(23,589,250)	2,645,019	(467,022)	(27,119,255)

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the six months ended 31 December 2010

	31 December 2010	31 December 2009
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(723,899)	(821,805)
Payments for exploration and evaluation	(4,094,034)	(1,628,794)
Interest received	146,758	49,238
Other Income	-	19,816
Net cash outflow operating activities	(4,671,175)	(2,381,545)
Cash flows from investing activities		
Acquisition of plant and equipment	(157,555)	(60,846)
Net cash outflow investing activities	(157,555)	(60,846)
Cash flows from financing activities		
Proceeds from issue of shares	29,999,422	-
Share issue expense	(107,263)	-
Net cash outflow investing activities	29,892,159	-
Net (decrease) / increase in cash held	25,063,429	(2,442,391)
Cash and cash equivalents at 1 July	3,738,380	4,820,559
Effect of exchange rate fluctuations on cash held	(21,358)	(4,291)
Cash and cash equivalents at 31 December	28,780,451	2,373,877

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2010

1. Reporting Entity

Kasbah Resources Limited (“the Group”) is a company domiciled in Australia and is listed on the Australian Securities Exchange. The consolidated half- year financial statements of the Company as at and for the six months ended 31 December 2010 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial statement of the Group as at and for the year ended 30 June 2010 is available upon request from the Company’s registered office at 19 Hardy Street South Perth W.A. 6151 or at www.kasbahresources.com.

2. Basis of preparation of half-year financial statements

These consolidated half-year financial statements have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, and the Corporations Act 2001.

The consolidated half-year financial statements do not include all notes of the type normally included within annual financial statements and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Company as the full financial statements. The half-year financial statements should be read in conjunction with the Annual Financial Statements of Kasbah Resources Limited as at 30 June 2010.

The accounting policies applied by the Group in these half-year financial statements are consistent with the financial statements for the year ended 30 June 2010.

It is also recommended the half-year financial statements be considered together with any public announcements made by Kasbah Resources Limited during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2010

3. SIGNIFICANT ACCOUNTING POLICIES

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 company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Segment information provided to the board:

	31 December	30 June
	2010	2010
	\$	\$
Revenue from external sources	-	-
Reportable segment loss	(5,111,611)	(4,197,531)
Reportable segment assets	401,092	1,496,412

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:

	31 December	30 June
	2010	2010
	\$	\$
Total loss for reportable segment	(5,111,611)	(4,197,531)
Unallocated:		
- Corporate expenses	(1,185,740)	(1,921,441)
- Interest revenue	174,245	79,840
- Other revenue	-	41,632
Loss before income tax from continuing operations	(6,123,105)	(5,997,500)

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2010

4. Dividends Paid or Provided for

No dividends have been paid or provided for during the half-year.

5. Subsequent Events after Balance Date

On the 1st March 2011 the Company announced the appointment of two new Non-executive directors, being Mr Ian McCubbing and Gary Davison.

6. Capital Commitments

There have been no changes to capital commitments since 30 June 2010.

7. Non-Current assets – Exploration and Evaluation assets

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

	Half-year ended 31 December 2010 \$	Year ended 30 June 2010 \$
Exploration brought forward	1,140,461	1,406,685
Expenditure in year	-	-
Expenditure written off during the year	(1,124,313)	-
Adjustments for foreign currency translation	(16,148)	(266,224)
Expenditure carried forward	<u>-</u>	<u>1,140,461</u>

The Company has written down the carrying value of the Tamlalt Gold project, being \$1,124,313. 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 exploration expenditure forecasted over the next 12 months 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 being met.

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2010

7 Non-Current assets – Exploration and Evaluation assets (continue)

The Group holds exploration properties both under option and direct title. While the Group holds properties under option it is a requirement that all ongoing exploration, evaluation and development expenditure on areas of interest is expensed as incurred. During the 6 month period ending 31 December 2010 the group expensed a total of \$3,987,298 in regards to exploration and development costs on the Achmmach project, which is under option.

8. Contingent Liabilities and Contingent Assets

There have been no changes since 30 June 2010.

9. Related Party Transactions

There have been no changes since 30 June 2010.

10. Contributed Equity

	Half Year Ended 2010 Number of Shares	Half Year Ended 2010 \$
Issued and Paid-up Capital		
Ordinary shares, fully paid	362,312,596	48,530,508
Total issued capital	<u>362,312,596</u>	<u>48,530,508</u>
Movements in ordinary share capital		
Balance at the beginning of the financial year	237,315,006	19,998,350
Share issue pursuant to Placement Tranche 1	35,000,000	8,400,000
Share issue pursuant to Placement Tranche 2	52,500,000	12,600,000
Share issue pursuant to SPP	37,497,590	8,999,422
Less Capital raising costs		- (1,467,264)
Issued capital at end of period	<u>362,312,596</u>	<u>48,530,508</u>

Directors' Declaration

The directors of Kasbah Resources Limited declare:

The attached consolidated financial statements and notes set out on pages 6 to 13 are in accordance with the Corporations Act 2001, including:

- (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance, as represented by the results of its operation and its cash flows for the six month period ended on that date.

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.

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

South Perth, 10 March 2011

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kasbah Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kasbah Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kasbah Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink, appearing to read 'BDO' on the top line and 'Brad McVeigh' on the bottom line.

Brad McVeigh
Director

Perth, Western Australia
Dated this 10th day of March 2011

10th March 2011

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

Dear Sirs,

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

As lead auditor for the review of Kasbah Resources Limited for the half-year ended 31 December 2010, 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 review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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 Australian.