

EXPLORING NEW WORLD TIN

ANNUAL REPORT 2010



CORPORATE DIRECTORY

DIRECTORS

Graeme Walker (Non-Executive Chairman)
Wayne Bramwell (Managing Director)
Mike Spratt (Non-Executive Director)
Robert Weinberg (Non-Executive Director)
Rod Marston (Non-Executive Director)

COMPANY SECRETARY

Trevor Hart

NOTICE OF ANNUAL GENERAL MEETING

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

Rothschild's Function Room
Perth Zoo
20 Labouchere Road, South Perth

Time: 10:00am

Date: Friday, November 26th, 2010

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

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Facsimile: +618 9463 6652
E-Mail: info@kasbahresources.com
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Telephone: +618 6382 4600
Facsimile: +618 6382 4601

SHARE REGISTRY

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45 St George's Terrace
Perth WA 6000
Telephone: +618 9323 2000
Facsimile: +618 9323 2033

BANKERS

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West Perth WA 6005

SOLICITORS

In Australia

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Lawyers & Consultants
Level 4
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16 Milligan Street
Perth WA 6000
Telephone: +618 9321 4000
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In Morocco

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2 rue Abou Faid Masri
Quartier Gauthier
Casablanca
Morocco
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Facsimile: +212 522 228 286

STOCK EXCHANGE LISTING

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

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CHAIRMAN'S LETTER

Dear Shareholders,

Kasbah's main focus remains the Achmmach Tin Project ("Achmmach"). In this letter last year, we set as an objective, the definition of an indicated resource for preliminary mine planning studies. Our expectation was that the program would define an indicated resource of between 1 and 1.5 Mt. It was with great pride that in August 2010 we announced a resource upgrade taking the total resource to 7 Mt at 0.8% tin of which 2.2 Mt is in the indicated resource category (reported at a 0.5% cut-off grade). For context, 0.8% tin approximates 5.5 g/t of gold at US\$23,000 /t tin and US\$1,300 /oz gold).

Our objective in the current year is to define the scoping study economics for an underground mining operation and to advance the project to pre-feasibility. An acceleration of drilling can be expected at Achmmach with new shallow tin opportunities being tested in parallel with increasing the existing underground resources. The ability of these shallow targets (less than 150 m from surface) to augment our existing deeper resources is unknown at present but offers an exciting new dimension to the project. Achmmach is growing in scale and quality and we remain focused on advancing the project to a decision to mine.

Technical, climatic and political issues in the biggest tin producing countries such as Indonesia, China and the Democratic Republic of the Congo have seen supply concerns gain international headlines. These issues have propelled the tin price through US\$23,000 per tonne with end users now showing more and more concern about the fragility of the tin supply chain and the lack of new tin production to fill the growing market demand. These end users are now demanding new, conflict free and sustainable tin production, and Achmmach will hopefully participate in meeting this demand. On the price side, the tin price has risen by about 160% since this time last year compared to gold, which has risen by about 135%.

During the last 12 months we welcomed the International Finance Corporation ("IFC"), a member of the World Bank group and the international metal trading house Traxys as new shareholders. The IFC fosters sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital and providing advisory and risk mitigation services to businesses and governments. Their involvement will further bolster our capacity to develop Achmmach in a long term, sustainable manner. Traxys is a significant metals trading organisation that trades tin, amongst other commodities, and their addition to the share register reflects a growing recognition amongst tin industry specialists of the potential significance of Kasbah and Achmmach.

Our thanks go to the Kasbah team who delivered this better than expected result which is a fundamental part of our progress towards the feasibility and potential development of significant new tin production. We have been fortunate to gain the services of Chris Bolger as our country manager in Morocco and Mike Spratt as an additional non-executive director. Both of these gentlemen have extensive tin and project development experience that will be of great assistance in the next phase of the feasibility and potential development of a new source of tin.

Again, thank you and our staff for your continuing support of, and their dedication to, the development of Achmmach.



Graeme Walker
Chairman

OPERATIONS REPORT

KASBAH IS AN AUSTRALIAN LISTED MINERAL EXPLORATION AND DEVELOPMENT COMPANY.

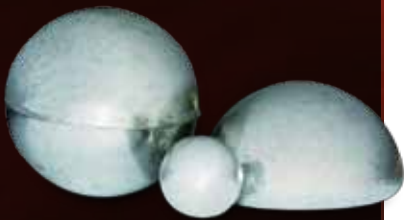
KASBAH HAS EXCLUSIVE RIGHTS TO ACQUIRE THE ACHMMACH TIN PROJECT AND HAS 100% OWNERSHIP OF THE TAMLALT GOLD PROJECT IN EASTERN MOROCCO.

THE COMPANY'S PRIME EXPLORATION FOCUS DURING 2009 / 2010 WAS TO CONTINUE TO ADVANCE THE LARGE, HARD ROCK ACHMMACH TIN PROJECT IN MOROCCO TOWARDS A DEVELOPMENT DECISION.



HIGHLIGHTS

DID YOU KNOW...



TIN IS A GREEN METAL - IT IS NON-TOXIC AND HAS THE BENEFITS OF HAVING A LOW MELTING POINT, BEING MALLEABLE, RESISTANT TO CORROSION AND HAS THE ABILITY TO ALLOY WITH OTHER METALS

To October 2010, the following milestones were achieved:

ACHMMACH SCOPING STUDY

In October 2010 Kasbah announced the scoping study results for underground development at Achmmach. Based upon a tin price of US\$23,000 per tonne and premised on mechanised underground mining, conventional gravity and flotation processing, the scoping study defined potential operating costs of US\$12,684 per tonne of tin in tin concentrate for Achmmach.

TIN PRICE BREAKS THROUGH US \$25,000/T

On 4 October, the tin price broke through the important US\$25,000 / t barrier on the back of increasing concerns about tin supply and increasing end user demand.

ACHMMACH RESOURCE UPGRADE

In August 2010, Kasbah announced that it had successfully defined 2,200,000 tonnes of higher classification indicated resource at Achmmach. The mineral resource estimate has also grown to 7,000,000 tonnes at 0.8% Sn for 54,000 tonnes of contained tin.

MEKNES RESOURCE DEFINITION PROGRAM

This close spaced drilling program targeting the conversion of 1-1.5 million tonnes of inferred resource within the Meknes Zone was successful and defined the Marrakech and Fez systems - two new zones of tin mineralisation.

SHALLOW TARGETS PROGRAM

Exploration targeting shallow, potentially open pitable targets identified high grade surface structures in the Western, Northern and Eastern Zones. First pass drilling of the Northern Zone shallow target commenced in August 2010.

STRATEGIC INVESTORS JOIN KASBAH

In March and April 2010, Kasbah announced an above market placement to the International Finance Corporation (IFC), African Lion Fund (ALF) and international metal trader Traxys.

A summary of Kasbah's projects follows.





Overlooking the Achmmach Tin Project

1.0 ACHMMACH TIN PROJECT

1.1 PROJECT OVERVIEW

The Achmmach Tin Project is located on the western edge of the El Hajeb province, approximately 140 km southeast of the Moroccan capital, Rabat and 40 km south southwest of Meknes.

This project consists of two Exploitation Permits (PE No 2912 and PE No 193172) covering an aggregate area of approximately 32 square kilometers.

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

The Kasbah project development strategy has

been to confirm historic work completed by BRPM and to upgrade, expand and increase the confidence in the existing resource by diamond drilling (resource development). In parallel with this, surface exploration has been advancing mapping, geochemical sampling and geophysical surveys to generate new drilling targets with an emphasis on shallow tin mineralisation which may be amenable to surface mining techniques.

Shallow tin targets may provide tonnage to augment the existing known, deeper tin resources and opportunity to start production on an open pit basis.

During 2009 / 2010 resource development drilling within the 2008 Inferred Resource (6 Mt at 0.9% Sn) defined an Indicated Resource of 2.2 Mt at 0.8% Sn and an Inferred Resource of 4.8 Mt at 0.8% Sn (reported at a 0.5% Sn cut off grade) with a metal content of 54 Kt of contained tin.

Surface exploration was ongoing and generated three shallow drilling targets including; the Western Zone, the Northern Zone and the Eastern Zone. First pass drilling commenced in August 2010 on the Northern Zone.

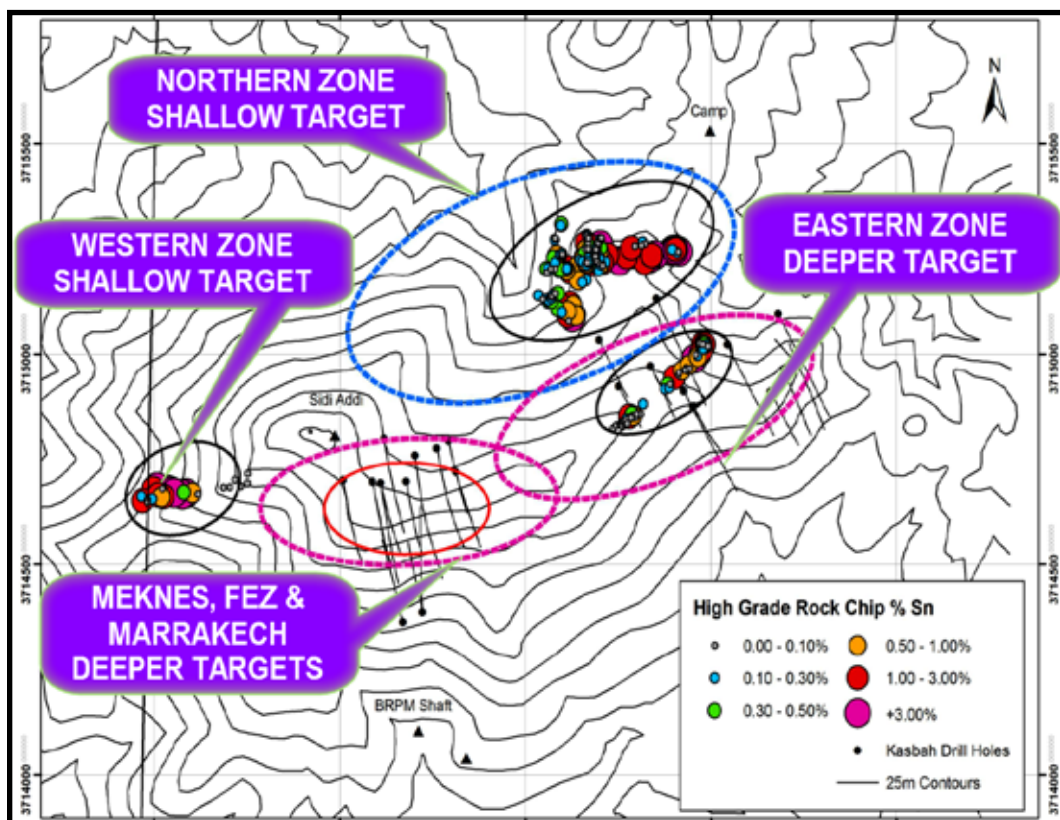


FIG 1.1 - SHALLOW AND DEEP TIN TARGETS AT ACHMMACH

1.2 2010 RESOURCE DEVELOPMENT PROGRAM

To 31 August 2010, 10,083 m of diamond drilling (30 drill-holes, AD029 to AD063) had been completed to test the Meknes Zone. The aim of this drilling was to infill the 2008 Inferred Resource and upgrade a portion of the 2008 Inferred Resource to an Indicated Resource.

A resource estimate was undertaken by Quantitative Group and reported in August 2010 (Table 1 below) utilising data from this drilling and the existing drill-hole data. The estimate also included the Eastern Zone deeper mineralisation.

The resource estimate is based on a geological interpretation by Quantitative Group and Kasbah geologists, supported by detailed geological logging of drill core by Kasbah geologists, and the 2010 structural geology study completed by Dr Toby Davis.

The distribution of tin mineralisation within the tourmaline alteration system is interpreted as being structurally controlled and related to the intensity of deformation within the sedimentary host rocks such that tin mineralisation is more intense in high strain structural domains which may be constrained by folding. It is also likely that lithology controls the development of high strain zones with the possibility that the finer grained lithologies are more likely to develop high strain zones than coarser grained lithologies.

Three mineralised bodies have been modeled in the Meknes Zone including Meknes, Fez (new) and Marrakech (new). Drilling to date has not closed off the Meknes Zone and potential exists to define additional and along strike targets both to the west and to the east.

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 |
| Total | 7.0 | 0.8 | 54 |

Note that the figures in Table 1 have been rounded appropriately, as advised by JORC.

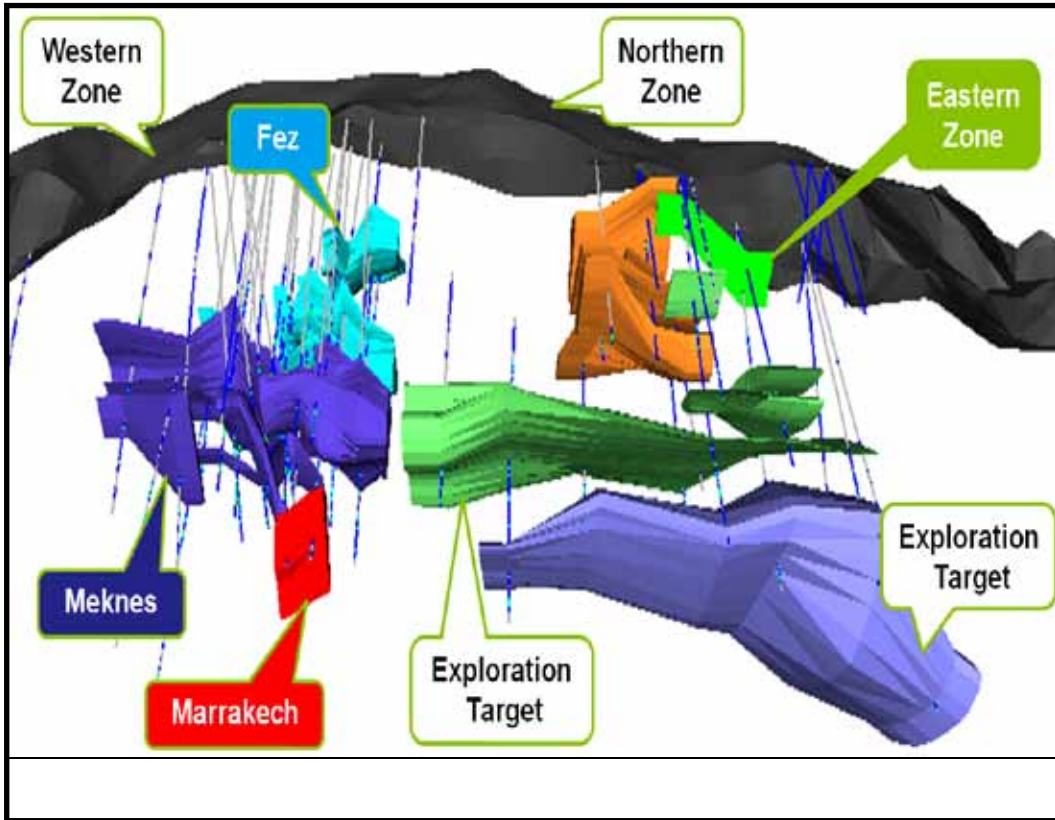


FIG 1.2 - ACHMMACH TIN PROJECT - MINERALISED ZONES AND EXPLORATION TARGETS

In addition to defining 2,200,000 tonnes of higher classified indicated resource, the recent interpretation has highlighted an exploration target below the Eastern Zone and to the east of the Meknes Zone, potentially containing 4 - 8 Mt of tin mineralisation at a grade of 0.5-1% Sn.**

1.3 SHALLOW TARGET PROGRAM

From late 2009, surface exploration was accelerated with increased mapping, soil geochemistry, rock chip geochemistry and the excavation of shallow costeans (trenches).

Initial results were encouraging and revealed the presence of localised high grade shallow tin mineralisation in the Western Zone, Northern Zone and Eastern Zone.

Follow up mapping, sampling and containing confirmed the original results and expanded the size of the geochemical anomalies. In addition the presence of more than one orientation for mineralised structures was identified.



** The potential target size and grade is conceptual in nature, and there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource

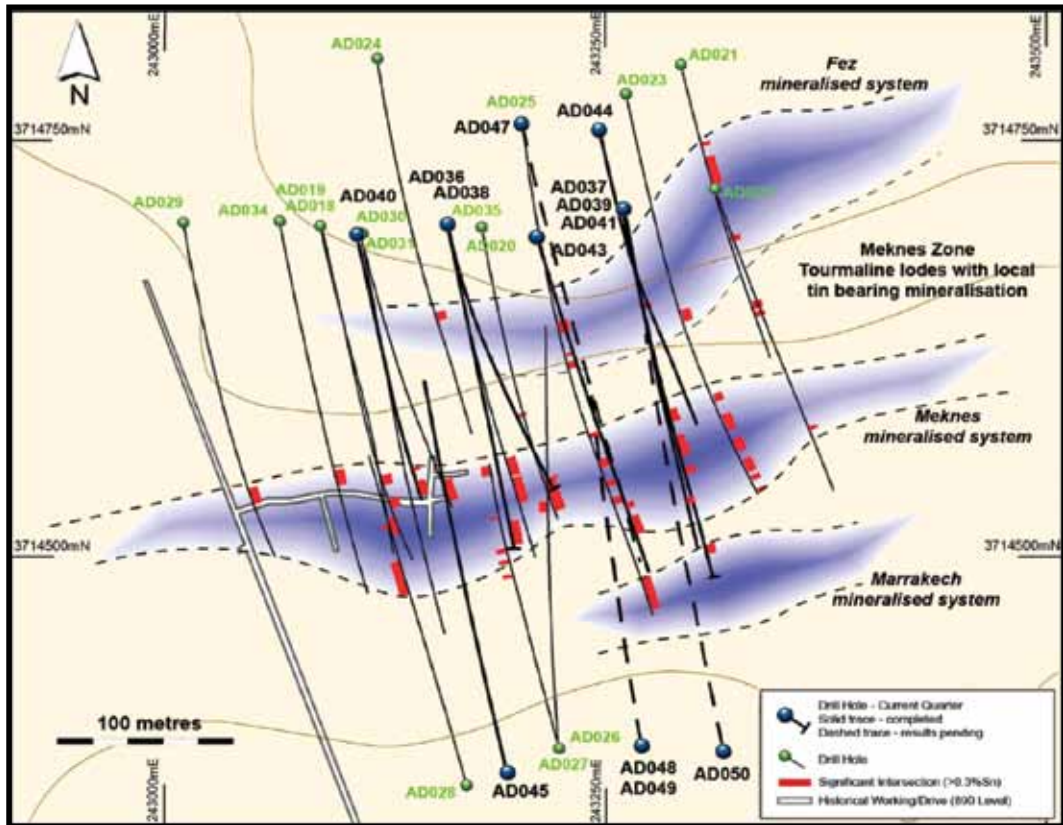


FIG 1.3 - MEKNES ZONE DRILL PLAN AND INTERPRETED MINERALISED SYSTEMS

Mapping and interpretation of the new data, combined with reinterpretation and assaying of BRPM drill-holes, assisted in the formulation of a potential for the target to yield a resource, with the potential to be mined by open pit methods.

This drilling commenced in August 2010 with hole AD057. Up until 31 August 2010, 555m of diamond core was drilled with hole AD064 in progress on that date.

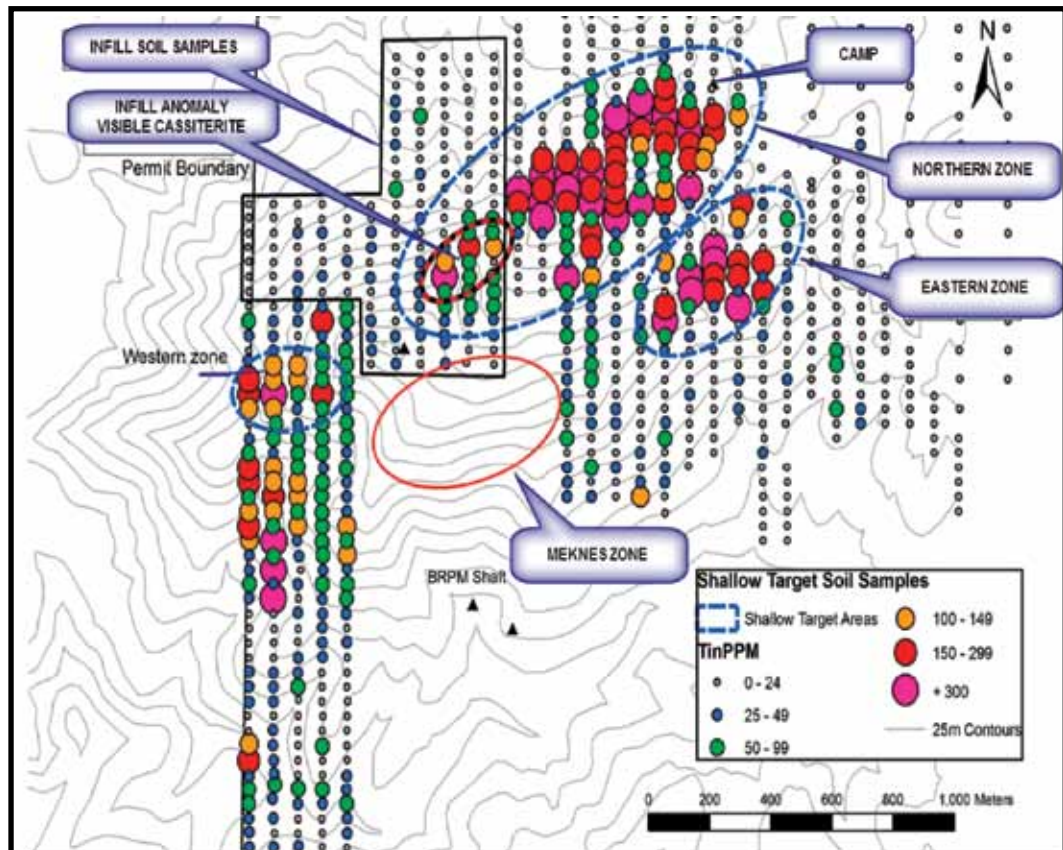
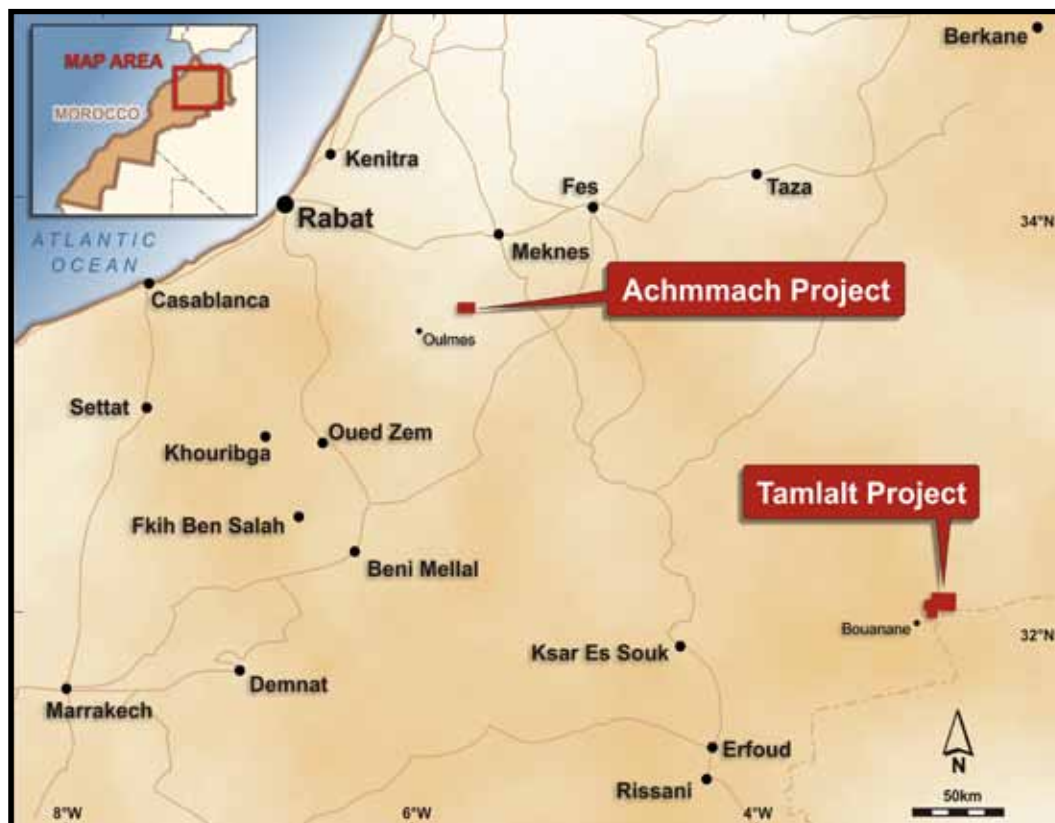


FIG 1.4 - LOCATION DIAGRAM INFILL SOIL SAMPLES



2.0 TAMALT GOLD DEPOSIT

The Tamlalt Gold Project, in Eastern Morocco, is located proximate 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 a resource development at Achmmach.

Surface evaluation will commence with drilling scheduled for 2011.

3.0 EL KARIT TIN PROJECT

During the June quarter, the agreement for this single exploration permit was terminated with ONHYM based upon the economics associated with the finite alluvial tonnage not meeting the Company's financial requisites.

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 the announcement 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 the report of the matters based on this information in the form and context in which it appears.

DIRECTOR'S REPORT

The Directors present their report together with the consolidated financial report for the consolidated entity, being Kasbah Resources Limited ("Kasbah" or the "Group") and its controlled entities, for the year ended 30 June 2010 and the Auditors' report thereon.

DIRECTORS

The names and details of the Directors of the Company at any time during or since the end of the financial year are:

CURRENT DIRECTORS

MR GRAEME WALKER BCOMM, CA, CA (SA), FAICD Independent Non-Executive Chairman

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

Graeme is a member of the Audit Committee.

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

MR WAYNE BRAMWELL BSC (MINERAL SCIENCE), GRAD DIP BUS, MSC (MINERAL ECONOMICS) Managing Director

Wayne is a Metallurgist and Mineral Economist with over 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 Chairman of the Audit Committee.

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.

DR ROBERT WEINBERG M.A., DPHIL, FGS, FIMMM**Independent Non-Executive Director**

Robert gained his doctorate in geology from Oxford University in 1973 and has more than 30 years experience of the international mining industry. He is a Fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining. He is an independent mining research analyst and consultant and brings a wealth of marketing and investment banking experience to the Company having held executive positions that include being Managing Director, Institutional Investment at the World Gold Council, and a Director of Gold Bullion Securities Limited. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities and 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, who is based in London, was appointed a Director of the Company on 15 November 2006.

Robert is also a Non-Executive Director of Solomon Gold plc, a company listed on AIM, and Medusa Mining Ltd which is listed on the ASX, AIM and the TSX, and he was a Non-Executive Director of Falkland Gold and Minerals Ltd until September 2008.

DAVID MICHAEL SPRATT BSC (HONS 1), FAUSIMM, FAICD, MAIME**Independent Non-Executive Director (appointed 2 August 2010)**

Mike is a Metallurgist with more than 40 years technical and general management experience in mining, mineral processing, smelting, engineering and construction both in Australia and overseas.

Most recently he was the Managing Director for almost seven years at Thailand Smelting and Refining Company Limited, one of the largest tin smelters and refiners in the world.

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

FORMER DIRECTOR

MR PETER HEPBURN-BROWN BAPP SC (MINING ENGINEERING), GRAD DIP HR**Non-Executive Director (resigned 20 November 2009)**

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

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

COMPANY SECRETARY

MR TREVOR HART BBUS, CPA, ACIS**Company Secretary (appointed 21 September 2009)**

Trevor is a Certified Practising Accountant (CPA) with a Bachelor of Accounting from Edith Cowan University and a Chartered Secretary. He has over 17 years experience including over 13 years in the resources and mining services industry. Prior to joining Kasbah he has held a number of senior financial positions in other ASX Listed companies.

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors in the three years immediately before the end of the financial year are as follows:

| Name of Director | Company | Period of Directorship |
|--------------------|-----------------------|------------------------|
| Graeme Walker | Tamaya Resources Ltd | Up to 21 February 2008 |
| Dr Rodney Marston | Independence Group NL | Since 2001 |
| Dr Robert Weinberg | Medusa Mining Ltd | Since 1 July 2006 |

DIRECTORS' INTERESTS AND MEETINGS OF DIRECTORS

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 Directors | Directors' Interests in Ordinary Shares | Number of Options Granted |
|-------------------|---|---------------------------|
| Graeme Walker | 400,000 * | 3,325,000 |
| Wayne Bramwell | 9,259,002 * | 4,000,000 |
| Rodney Marston | 1,480,000 * | 1,875,000 |
| David Spratt | 500,000 * | - |
| Robert Weinberg | 440,000 | 1,875,000 |

* includes shares in which the Director holds a relevant interest but is not the registered holder.

DIRECTORS' MEETINGS

| Name of Director | Board Meetings | | Audit Committee Meetings | |
|---------------------|----------------|---|--------------------------|---|
| | A | B | A | B |
| Graeme Walker | 6 | 6 | 2 | 2 |
| Wayne Bramwell | 6 | 6 | - | - |
| Peter-Hepburn Brown | 2 | 3 | - | - |
| Rodney Marston | 6 | 6 | 2 | 2 |
| Robert Weinberg | 6 | 6 | - | - |

A - Number of meetings attended for exploration and evaluation.

B - Number of meetings held during the time the Director held office during the year.

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.

RESULT

The consolidated loss after income tax for the financial year was \$5,997,500 (2009: loss of \$3,951,024).

DIVIDENDS

No dividend was paid during the year.

REVIEW OF OPERATIONS

The Consolidated entity explored and evaluated base and precious metals projects through the year. A full review of the operations is set out in the 2010 Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 2 August 2010 Mr David Michael Spratt was appointed to the board as a Non-Executive Director.

LIKELY DEVELOPMENTS

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.

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 may be required to do so 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.

SHARE OPTIONS

OPTIONS GRANTED TO DIRECTORS AND OFFICERS OF THE COMPANY

During or since the end of the financial year, the Company granted options to acquire ordinary shares in the Company for no consideration to the following Director and Officers:

| Director | Number of Options Granted | Grant Date | Fair Value Option \$ | Exercise Price \$ | Expiry Date | Number of Options Vested During the Year |
|-------------------|---------------------------|----------------|----------------------|-------------------|----------------|--|
| 2010 | | | | | | |
| Graeme Walker | - | - | - | - | - | 375,000 |
| Wayne Bramwell | - | - | - | - | - | - |
| Rodney Marston | - | - | - | - | - | 375,000 |
| Robert Weinberg | - | - | - | - | - | 375,000 |
| Officers | | | | | | |
| Chris Bolger | 1,000,000 | 20 April 2010 | 0.075 cents | 10 cents | 20 April 2015 | - |
| Trevor Hart | 1,000,000 | 5 January 2010 | 0.066 cents | 10 cents | 5 January 2015 | - |
| Jeffrey Lindhorst | 500,000 | 20 April 2010 | 0.075 cents | 10 cents | 20 April 2015 | 500,000 |

All options granted during the financial year were provided at no cost to the recipients.

At the date of this report, unissued ordinary shares of the Company under options are as follows:

| Number of Options | Exercise Price | Expiry Date |
|-------------------|----------------|------------------|
| 5,625,000 | 25 cents | 15 November 2011 |
| 9,000,000 | 25 cents | 15 November 2011 |
| 1,450,000 | 20 cents | 10 May 2011 |
| 1,000,000 | 35 cents | 1 May 2013 |
| 1,000,000 | 25 cents | 12 July 2013 |
| 1,125,000 | 25 cents | 15 November 2011 |
| 1,500,000 | 10 cents | 5 January 2015 |
| 1,500,000 | 10 cents | 20 April 2015 |
| 6,650,000 | 25 cents | 19 April 2012 |
| 7,250,000 | 25 cents | 8 June 2012 |
| 16,250,000 | 25 cents | 15 June 2012 |

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

The remuneration policy is to provide a fixed remuneration component and a specific equity related component. The board believes that this remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate in achieving the alignment with shareholder and business objectives.

Compensation levels for Key Management Personnel of the Company and consolidated entity are competitively set to attract and retain appropriate qualified and experience Directors and Executives. The board obtains independent advice on the appropriateness of compensation packages given trends in comparative companies locally and the objectives of the company compensation strategy. There is no performance based remuneration.

Options issued to employees are at the discretion of the Directors or are issued under specific shareholder approval. All options are issued for no consideration. Options granted as part of the executive remuneration have been valued using a Black-Scholes option pricing model, which takes account of factors including the option exercise prices, the current level and volatility of the underlying share price, the risk free rate expected, expected dividends on the underlying share, current market price of the underlying share and the expected life of the option.

The remuneration policy in regards to setting terms and conditions for the Managing Director has been developed by the board taking into account market conditions and comparable salary levels for companies of similar size and operating in similar sectors.

B. NON-EXECUTIVE DIRECTORS

Directors receive a superannuation guarantee contribution required by the government, which is currently 9% for fees paid in cash and do not receive any other retirement benefit. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

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 vest over a five (5) or three (3) year period. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is \$250,000.

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

C. DETAILS OF REMUNERATION

Details of the nature and amount of each element of the emoluments of Directors and Executives of the parent entity are set out in the following tables:

DIRECTORS AND KEY MANAGEMENT REMUNERATION FOR THE YEAR ENDED 30 JUNE 2010

| Name | Year | Short-Term | | Post Employment | Share based payments | Total Remuneration | Value of options as proportion of remuneration |
|---|-------------|-----------------|------------|-------------------------|----------------------|--------------------|--|
| | | Salaries & Fees | Cash Bonus | Superannuation benefits | Options | | |
| | | ⋄ | ⋄ | ⋄ | ⋄ | ⋄ | % |
| Executive Directors | | | | | | | |
| Wayne Bramwell Managing Director | 2010 | 284,307 | - | 29,807 | - | 314,114 | - |
| | 2009 | 257,693 | - | 23,193 | - | 280,886 | - |
| Non-Executive Directors | | | | | | | |
| Graeme Walker Non-Executive Chairman | 2010 | - | - | - | 51,773 | 51,773 | 100% |
| | 2009 | - | - | - | 51,773 | 51,773 | 100% |
| Rodney Marston Non-Executive Director | 2010 | - | - | - | 51,743 | 51,743 | 100% |
| | 2009 | - | - | - | 51,743 | 51,743 | 100% |
| Robert Weinberg Non-Executive Director | 2010 | - | - | - | 51,743 | 51,743 | 100% |
| | 2009 | - | - | - | 51,743 | 51,743 | 100% |
| Peter Hepburn Brown Non-Executive Director (Resigned 28/11/2009) | 2010 | - | - | - | 2,446 | 2,446 | 100% |
| | 2009 | 17,000 | - | - | 2,446 | 19,446 | 13% |
| Total | 2010 | 284,307 | - | 29,807 | 157,705 | 471,819 | |
| Total | 2009 | 274,693 | - | 23,193 | 157,705 | 455,591 | |
| Key Management Personnel | | | | | | | |
| Chris Bolger (Country Manager) (Appointed 6 April 2010) | 2010 | 51,987 | - | 4,679 | 4,699 | 61,365 | 8% |
| | 2009 | - | - | - | - | - | - |
| Trevor G Hart (CFO and Company Secretary) (Appointed 21 September 2009) | 2010 | 134,800 | - | 21,478 | 24,721 | 180,999 | 14% |
| | 2009 | - | - | - | - | - | - |
| Jeffrey Lindhorst (Exploration Manager) | 2010 | 200,000 | - | - | 8,572 | 208,572 | 4% |
| | 2009 | 176,333 | - | 16,230 | 102,757 | 295,320 | 35% |
| Peter Youd (CFO and Company Secretary) (Resigned 21 September 2009) | 2010 | 31,575 | - | - | - | 31,575 | - |
| | 2009 | 181,000 | - | - | 76,875 | 257,875 | 30% |
| Total | 2010 | 418,362 | - | 26,157 | 37,992 | 482,511 | |
| Total | 2009 | 357,333 | - | 16,230 | 179,632 | 553,195 | |

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 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 agreements.

A summary of the key conditions of the Executive, Country Manager, Exploration Manager and Chief Financial Officer's contracts is set out as follows:

WAYNE BRAMWELL – EXECUTIVE DIRECTOR

- Terms of Agreement – No fixed term
- Base Salary exclusive of superannuation of \$250,000 to be reviewed annually
- Compensation to be paid in cash
- Performance related bonuses to be paid at the discretion of the Company
- The Company may terminate the agreement by providing three months written notice
- On termination a maximum of twelve months salary and all accrued entitlements will be paid to Mr Bramwell

CHRIS BOLGER – COUNTRY MANAGER

- Terms of Agreement – No fixed term commencing from the 6 April 2010
- Base Salary exclusive of superannuation of \$220,183
- Compensation to be paid in cash
- Performance related bonuses to be paid at the discretion of the Company
- A notice period of 30 days must be served by either party
- There are no termination benefits to be paid on termination of Mr Bolger's contract

TREVOR HART – CHIEF FINANCIAL OFFICER

- Terms of Agreement – No fixed term commencing 21 September 2009
- Base Salary exclusive of superannuation of \$185,000
- Compensation to be paid in cash
- Performance related bonuses to be paid at the discretion of the Company
- A notice period of 30 days must be served by either party
- There are no termination benefits to be paid on termination of Mr Hart's contract

JEFFREY LINDHORST – EXPLORATION MANAGER

- Terms of Agreement – No fixed term
- Base Salary exclusive of superannuation of \$200,000
- Compensation to be paid in cash
- Performance related bonuses to be paid at the discretion of the Company
- A notice period of 30 days must be served by either party
- There are no termination benefits to be paid on termination of Mr Lindhorst's contract

E. EQUITY INSTRUMENTS

OPTION HOLDINGS

The movement during the reporting period in the number of options in the Company held, directly, indirectly or beneficially, by each specified Director and Officer is as follows:

| Directors | Held at 1 July 2009 | Granted as Remuneration | Exercised | Cancelled/ Lapsed | Vested | Held at 30 June 2010 |
|--------------------------|------------------------|----------------------------|-----------|----------------------|-----------|-------------------------|
| Graeme Walker | 3,325,000 | - | - | - | 2,950,000 | 3,325,000 |
| Wayne Bramwell | 4,000,000 | - | - | - | - | 4,000,000 |
| Rodney Marston | 1,875,000 | - | - | - | 1,500,000 | 1,875,000 |
| Robert Weinberg | 1,875,000 | - | - | - | 1,500,000 | 1,875,000 |
| Specific Officers | | | | | | |
| Chris Bolger | - | 1,000,000 | - | - | - | 1,000,000 |
| Trevor Hart | - | 1,000,000 | - | - | - | 1,000,000 |
| Jeffrey Lindhorst | 1,000,000 | 500,000 | - | - | 500,000 | 1,500,000 |

EQUITY HOLDINGS AND TRANSACTIONS

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by each specified Director and Officer is as follows:

| Specified Directors | Held at 1 July 2009 | Purchases or held at date of employment | Received on Exercise of Options | Other/net change | Held at 30 June 2010 |
|--------------------------|------------------------|---|---------------------------------------|---------------------|-------------------------|
| Graeme Walker | 400,000 | - | - | - | 400,000 |
| Wayne Bramwell | 13,259,003 | - | - | (3,996,001)* | 9,263,002 * |
| Rodney Marston | 1,480,000 | - | - | - | 1,480,000 |
| Robert Weinberg | 440,000 | - | - | - | 440,000 |
| Specific Officers | | | | | |
| Chris Bolger | - | - | - | - | - |
| Trevor Hart | - | 515,000 | - | - | 515,000 |
| Jeffrey Lindhorst | - | - | - | - | - |

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

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

(a) 1,000,000 options were issued to employees of the Company with an exercise price of \$0.10 and an expiry date of 5 January 2015.

The options are exercisable on the following basis:

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

Provided that, in the event of the employee's employment agreement being terminated, those options which have not vested will automatically lapse.

(b) 1,500,000 options were issued to employees of the Company with an exercise price of \$0.10 and an expiry date of 20 April 2015.

The options are exercisable on the following basis:

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

Provided that in the event of the employee's employment agreement being terminated, those options which have not vested will automatically lapse.

The fair values of the options were calculated using a Black-Scholes option valuation methodology. The following criteria 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 terms and conditions of each grant of options affecting remuneration in the previous, this or future reporting periods are as follows:

| Input | Year granted | Vested % | Forfeited % | Financial years in which grants may vest | Value \$ |
|-------------------|---------------|----------|-------------|--|----------|
| Directors | | | | | |
| Graeme Walker | May 2006 | 80% | - | 2011 | 51,773 |
| Wayne Bramwell | November 2006 | 100% | - | - | - |
| Rodney Marston | November 2006 | 80% | - | 2011 | 51,743 |
| Robert Weinberg | November 2006 | 80% | - | 2011 | 51,743 |
| Officers | | | | | |
| Chris Bolger | April 2010 | - | - | 2011 | 50,121 |
| | | | | 2012 | 15,663 |
| Trevor Hart | January 2010 | - | - | 2011 | 32,961 |
| | | | | 2012 | 8,240 |
| Jeffrey Lindhorst | July 2008 | 100% | - | - | - |
| | April 2010 | - | - | 2011 | 25,061 |
| | | - | - | 2012 | 7,831 |

TRADING ON 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, the Directors, officers and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information and 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 trading.

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

Share based payments = Options

Further details relating to options as set out below:

| Name | A | B | C | D |
|-------------------|------------------------------------|---------------------|------------------------|---------------------|
| | Remuneration consisting of Options | Value at grant date | Value at exercise date | Value at lapse date |
| Directors | | | | |
| Graeme Walker | 100% | 51,773 | - | - |
| Wayne Bramwell | - | - | - | - |
| Rodney Marston | 100% | 51,743 | - | - |
| Robert Weinberg | 100% | 51,743 | - | - |
| Officers | | | | |
| Chris Bolger | 8% | 4,679 | - | - |
| Trevor Hart | 14% | 24,721 | - | - |
| Jeffrey Lindhorst | 4% | 8,572 | - | - |

A = The percentage of the value of remuneration consisting of options, based on the value at the grant date set out in Column B.

B = The value at grant date calculated in accordance with AASB 2 Share Based Payment of options granted during the year as part of the remuneration.

C = The value at exercise date of options were granted as part of the remuneration and were exercised during the year.

D = The value at lapse date of options were granted as part of the remuneration and lapsed during the year.

This is the end of the audited remuneration report.

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 and liability and the amount of the premium.

NON-AUDIT SERVICES

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

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

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

| | Consolidated | |
|--|--------------|--------|
| | 2010 | 2009 |
| Remuneration of Auditors | \$ | \$ |
| Audit Services: | | |
| Auditors of the Company – BDO Audit (WA) Pty Ltd | 35,500 | 23,268 |
| Remuneration of other auditor for subsidiaries | 22,796 | 6,762 |
| Total remuneration for Audit services | 58,296 | 30,030 |
| Other Services by related practices of BDO Audit (WA) Pty Ltd | | |
| Taxation services | 27,149 | 32,650 |
| Total Remuneration for other services | 27,149 | 32,650 |

AUDITOR'S INDEPENDENCE DECLARATION

The copy of the Auditor's Independence Declaration as required under sections 307c of the Corporation Act 2001 is set out on page 31.

This report has been signed in accordance with a resolution of the Directors made at Perth on 28 September 2010.



Wayne Bramwell
Managing Director

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS OF KASBAH RESOURCES LIMITED (KASBAH OR COMPANY) IS RESPONSIBLE FOR THE CORPORATE GOVERNANCE OF THE COMPANY AND IS COMMITTED TO APPLYING THE ASX CORPORATE GOVERNANCE COUNCIL PRINCIPLES OF GOOD CORPORATE GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS (ASX PRINCIPLES). THE BOARD GUIDES AND MONITORS THE BUSINESS AND AFFAIRS OF KASBAH ON BEHALF OF THE SHAREHOLDERS BY WHOM THEY ARE ELECTED AND TO WHOM THEY ARE RESPONSIBLE.

TO ENSURE THE BOARD IS PROPERLY EQUIPPED TO DISCHARGE ITS RESPONSIBILITIES IT HAS ESTABLISHED GUIDELINES FOR THE NOMINATION AND SELECTION OF DIRECTORS AND FOR THE OPERATION OF THE BOARD.

COMPOSITION OF THE BOARD

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

- The board should comprise at least three Directors
- A majority of Non-Executive Directors with at least two being independent
- The board should comprise Directors with an appropriate range of qualifications and expertise. The Directors in office at the date of this statement are:

| Name | Role | Non-Executive | Independent |
|--------------------|------------------------|---------------|-------------|
| Mr Graeme Walker | Non-Executive Chairman | Yes | Yes |
| Mr Wayne Bramwell | Managing Director | No | No |
| Dr Rodney Marston | Non-Executive Director | Yes | Yes |
| Dr Robert Weinberg | Non-Executive Director | Yes | Yes |
| Mr David Spratt | Non-Executive Director | Yes | Yes |



NOMINATION COMMITTEE

The board of Directors believes the Company is not of the size to warrant a nomination committee and therefore allocates the appropriate time as required at board meetings.

REMUNERATION COMMITTEE

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

AUDIT COMMITTEE

The board has established an audit committee, which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes. This includes the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Group to the audit committee. The audit committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial statements.

The audit committee is also responsible for:

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

The members of the audit committee are comprised of the following:

- Rodney Marston (Chairman)
- Graeme Walker

BOARD RESPONSIBILITIES

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

The responsibility for the operation and administration of the Group is delegated by the board to the Managing Director and the key management. The board ensures these executives are appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess their performance.

The board is responsible for ensuring that management's activities are aligned with the expectations and risks identified by the board. The board has a number of mechanisms in place to ensure this is achieved.

In addition to the establishment of the audit committee referred to above, these mechanisms include the following:

- Contributing to the development of and approving corporate strategy
- Appointing, assessing the performance of and, if necessary, removing the Managing Director/CEO
- Contributing to the performance assessment of members of the senior management team
- Reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- Overseeing and monitoring:
 - Organisational performance and the achievement of strategic goals and objectives
 - Compliance with the Company's code of conduct
 - Progress of major capital expenditures and other corporate projects including acquisitions, mergers and divestments
 - Monitoring financial performance including approval of the annual, half yearly and quarterly reports and liaison with the auditor
 - Ensuring there are effective management processes in place, including reviewing and ratifying systems of risk identification and management, ensuring appropriate and adequate internal control processes, and monitoring and reporting procedures for these systems are effective
 - Enhancing and protecting the Company's reputation
 - Approving, major capital expenditure, capital management, acquisitions and divestments
 - Reporting to shareholders
 - Appointment of Directors to fill casual vacancies
 - Any other matter considered desirable and in the interest of the shareholders



MONITORING OF THE BOARD'S PERFORMANCE AND COMMUNICATION TO SHAREHOLDERS

In order to ensure the board continues to discharge its responsibilities in an appropriate manner, the performance of all Directors is reviewed regularly by the chairman of the board.

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

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

THE KASBAH WEBSITE – CORPORATE GOVERNANCE

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

THE ASX PRINCIPLES

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

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

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

The board has adopted a formal charter which sets out the responsibilities reserved by the board and those delegated to management. The charter is reviewed annually to ensure it remains consistent with accepted practice in the context of the board's objectives and responsibilities. Specifically, the board is charged with setting the strategic direction of the Kasbah and monitoring management's performance within the framework; reviewing whether there are adequate resources available to meet Kasbah objectives; appointing and removing Executives and overseeing succession plans for the Key Management team; approving and monitoring financial reporting and capital management; approving and monitoring the progress of business objectives; assessing the risk management framework and whether appropriate procedures are being followed; ensuring Kasbah has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate and social responsibility; and monitoring whether the board is appropriately skilled to meet the changing needs of the Company.

The chairman of the board is responsible for leading the board in its duties, facilitating effective discussions at board meetings and ensuring procedures are in place to evaluate board performance. The Managing Director is responsible for the efficient and effective operation of Kasbah, and for bringing material and other relevant matters to the attention of the board in an accurate and timely manner.

2. STRUCTURE THE BOARD TO ADD VALUE

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

Skills

A requirement for the Kasbah Directors is an understanding of exploration in the mining sector. All Directors meet this threshold requirement. They also bring a diverse range of skills, and backgrounds including financial regulation, mining, geology, mineral processing, engineering and construction, law and public policy as well as international business skills. The board currently consists of five Directors. The experience and qualification of each Director and their terms of office are further discussed on pages 2 and 3.

Experience

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

Appointment and removal

Board succession planning is considered an important part of the governance process. Progressive and orderly renewal of board membership is important. The appointment of Directors is determined by the Kasbah board and the “Procedures for Selection and Appointment of Directors Policy” sets out the procedures followed when considering the appointment of new Directors.

Stakeholder perspectives

An important function of the board is to consider the perspective of stakeholders in the oversight of the Group. Directors bring varying perspectives to the board’s deliberations including those of members of the investment community and the views and interests of employees.

Independence

The Company currently has a majority of independent Directors.

An independent Director is a Non-Executive Director and:

- is not a substantial shareholder of the Company or an officer of, or directly or indirectly associated with, a substantial shareholder of the Company
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a Director after ceasing to hold any such employment
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee material associated with the service provided
- is not in a material contractual relationship with the Company or another group member other than as a Director of the Company
- has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interest of the Company
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director’s ability to act in the best interests of the Company



The Company has not considered the Company's materiality thresholds for assessing independence on the basis of the Company's stage of development and the board is constituted of a majority Non-Executive Directors.

All of Kasbah's Non-Executive Directors are considered by Kasbah to be independent Directors.

Directors are expected to table any change in outside interests at meetings of the board. Where it is considered a Director has a material potential conflict, it is noted and where appropriate the relevant Director absents him or herself for the specific item of business.

Board Committees

Explanations for departures from the recommendations

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

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

| Recommendation | Notification of Departure | Explanation of Departure |
|---|---|--|
| 2.4 The board should establish a nomination committee | The board does not have a separate nomination committee | The board undertakes the role a nomination committee. The board does not believe that any efficiencies or other benefits would be gained by establishing a separate nomination committee. The board has adopted a Nomination Committee Charter. Where necessary, the nomination committee seeks advice from independent external advisers in connection with the suitability of applicants for board membership. |
| 2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual Directors | The board has not conducted a formal performance evaluation | The board recognises the importance of a formal performance evaluation but because of the size and nature of the Company, the board believes that a formal performance evaluation is not required at present. As the Company grows and develops it will continue to consider the efficiencies and merits of a formal performance evaluation of the board, its committees and individual Directors. |
| 8.1 The board should establish a remuneration committee | The board has not formed a separate remuneration committee | Due to the size and development phase of the Company, the board has no formal remuneration committee. All matters pertaining to remuneration are dealt with by the full board taking independent advice if required. |

The Audit Committee is discussed above.

Independent Advise

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

3. PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

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

Code of Ethics and Conduct

Kasbah has adopted a code of ethics and conduct, which promotes ethical and responsible decision-making by Directors and employees. The code requires high standards of honesty, integrity, fairness and equity in all aspects of employment with Kasbah. The code also sets the objective for management of delivering shareholder value, with the oversight of the board, through the sustainable and efficient operation of the Group.

Education

The Managing Director of Kasbah and Company Secretary ensure Directors and employees of Kasbah are informed with respect to Corporate Governance matters.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

Kasbah believes its practices satisfy this principle.

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

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

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

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

5. MAKE TIMELY AND BALANCED DISCLOSURE

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

Kasbah fulfils its disclosure responsibilities.

Responsibility for supervision of Kasbah’s compliance with continuous disclosure lies with the board.



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

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

6. RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

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

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

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

7. RECOGNISE AND MANAGE RISK

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

Kasbah has put in place appropriate procedures for risk management.

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

Managing Director and Chief Financial Officer sign-off

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

8. REMUNERATE FAIRLY AND RESPONSIBLY

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

The board has not formed a separate remuneration committee due to the size and development phase of the Company. The board has no formal remuneration committee. All matters pertaining to remuneration are dealt with by the full board in accordance with the Remuneration Committee Charter and by obtaining independent advice if required.

AUDITOR'S INDEPENDENCE DECLARATION



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Fax: +8 6382 4601
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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

28th September 2010

Board of Directors
Kasbah Resources Limited
19 Hardy Street
SOUTH PERTH WA 6151

Dear Sirs,

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

As lead auditor of Kasbah Resources Limited for the year ended 30 June 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 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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Consolidated | |
|--|------|--------------|-------------|
| | | 2010 | 2009 |
| | | \$ | \$ |
| Revenue from continuing operations | 2 | 79,840 | 216,664 |
| Other Income | | 41,632 | 16,359 |
| Exploration and development costs | | 4,197,532 | 2,133,027 |
| Option based payment expense | | 214,691 | 337,339 |
| Accounting and corporate fees | | 291,821 | 447,703 |
| Employee benefits expenses | | 716,242 | 342,246 |
| Occupancy expense | | 67,380 | 51,013 |
| Administration expenses | | 285,228 | 161,743 |
| Depreciation and amortisation expenses | 3 | 125,686 | 119,513 |
| Travel expenses | | 120,713 | 123,987 |
| Other expense from ordinary activities | | 99,679 | 467,476 |
| (Loss) / Profit from continuing operations before tax expense | | (5,997,500) | (3,951,024) |
| Income tax benefit/(expense) | 4 | - | - |
| (Loss) / Profit after tax from continuing operations | | (5,997,500) | (3,951,024) |
| Other comprehensive income | | | |
| Foreign currency translation difference on foreign operations | | (388,751) | 80,833 |
| Total comprehensive income for the period attributable to the members of Kasbah Resources Limited | | (6,386,251) | (3,870,191) |
| Basic (loss)/earnings per share (cents per share) | 21 | 3.30 | 3.80 |

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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

| | Note | Consolidated | |
|--|------|------------------|------------------|
| | | 2010 | 2009 |
| | | \$ | \$ |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 3,738,380 | 4,820,559 |
| Trade and other receivables | 7 | 32,995 | 39,080 |
| Prepayments | 8 | 34,792 | 40,574 |
| Total Current Assets | | 3,806,167 | 4,900,213 |
| Non Current Assets | | | |
| Property, plant and equipment | 9 | 373,898 | 264,972 |
| Exploration and evaluation expenditure | 10 | 1,140,461 | 1,406,685 |
| Total Non Current Assets | | 1,514,359 | 1,671,657 |
| Total Assets | | 5,320,526 | 6,571,870 |
| Current Liabilities | | | |
| Trade and other payables | 11 | 694,087 | 296,371 |
| Total Current Liabilities | | 694,087 | 296,371 |
| Total Liabilities | | 694,087 | 296,371 |
| NET ASSETS | | 4,626,439 | 6,275,499 |
| Equity | | | |
| Issued capital | 12 | 19,998,350 | 15,475,850 |
| Reserves | 13 | 2,094,234 | 2,268,294 |
| Accumulated losses | 14 | (17,466,145) | (11,468,645) |
| TOTAL EQUITY | | 4,626,439 | 6,275,499 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

| | Ordinary Shares | Accumulated losses | Share Based Payments Reserves | Foreign Currency Translation Reserves | Total attributed to equity holders |
|--|--------------------|-----------------------|--|--|---|
| | \$ | \$ | \$ | \$ | \$ |
| CONSOLIDATED | | | | | |
| Balance 1 July 2008 | 12,945,200 | (7,517,621) | 1,951,824 | (101,702) | 7,277,701 |
| Total comprehensive income for the period | | | | | |
| Loss for the period | - | (3,951,024) | - | - | (3,951,024) |
| Other comprehensive income | | | | | |
| Currency translation difference | - | - | - | 80,833 | 80,833 |
| Total comprehensive income for the period | | | | | |
| | - | (3,951,024) | - | - | (3,870,191) |
| Transaction with owners in their capacity as owners | | | | | |
| Share based payments | - | - | 337,339 | - | 337,339 |
| Issue of fully paid shares | 2,655,000 | - | - | - | 2,655,000 |
| Share issue costs | (124,350) | - | - | - | (124,350) |
| Balance 30 June 2009 | 15,475,850 | (11,468,645) | 2,289,163 | (20,869) | 6,275,499 |
| Balance 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 | - | (5,997,500) | - | - | (5,997,500) |
| Other comprehensive income | | | | | |
| Currency translation difference | - | - | - | (388,751) | (388,751) |
| Total comprehensive income for the period | | | | | |
| | - | (5,997,500) | - | - | (6,386,251) |
| Transaction with owners in their capacity as owners | | | | | |
| 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 |

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

| | Note | Consolidated | |
|---|------|--------------|-------------|
| | | 2010 \$ | 2009 \$ |
| Cash flows from operating activities | | | |
| Cash paid to suppliers and employees | | (1,350,032) | (1,577,903) |
| Payment for exploration and evaluation | | (4,095,532) | (2,133,027) |
| Other Income | | 37,437 | 16,359 |
| Net cash outflow from operating activities | 19b | (5,408,127) | (3,694,571) |
| Cash flows from investing activities | | | |
| Acquisition of plant and equipment | | (242,806) | (28,305) |
| Interest received | | 80,997 | 240,069 |
| Net cash outflow from investing activities | | (161,809) | 211,764 |
| Cash flow from financing activities | | | |
| Proceeds from share issue | | 4,522,500 | 2,655,000 |
| Cost associated with share issue | | - | (124,350) |
| Net cash inflow from financing activities | | 4,522,500 | 2,530,650 |
| Net decrease in cash held | | (1,047,436) | (952,157) |
| Cash at the beginning of the financial year | | 4,820,559 | 5,736,056 |
| Effect of exchange rate fluctuations on cash held in foreign currencies | | (34,743) | 36,660 |
| Cash at the end of the financial year | 19a | 3,738,380 | 4,820,559 |

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

NOTES TO THE FINANCIAL STATEMENTS

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. Separate financial statements for Kasbah Resources Limited are no longer required as consequence of a change to the Corporations Act 2001, however summary financial information for the Company as a separate entity is included in Note 20.

GOING CONCERN

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The ability of the Company to continue as a going concern will be dependent on the ability to raise further funds as and when required to facilitate the ongoing exploration and commercialisation of its various tenement holdings.

The Directors believe that they will continue to be successful in securing additional funds through the issue of equity securities.

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, 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 Group has applied the revised AASB 101 Presentation of Financial which became effective 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of change in equity. All non-owners changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group has changed the presentation of its financial statements. Comparative information has been re-presented so that it is in conformity with the revised standard.

The following is a summary of the material accounting policies adopted by the Company and 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 ("Company" or "Parent Entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Kasbah Resources Limited and its subsidiaries together are referred to in the report as the "Group".

Subsidiaries are all those entities (including special purpose entities) over which 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 the Group controls an entity.

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

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

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 no adverse change will occur in income taxation legislation and the anticipation the entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

C. 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 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:

| Class of Fixed Asset | Depreciation Rate |
|----------------------|-------------------|
| Plant and equipment | 20-33% |
| Computer equipment | 20-30% |
| Motor vehicles | 20-30% |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each 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 those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to 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.

D. BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are



added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

E. 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.

F. 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 uncollectible amounts.

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

debts 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.

G. 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.

H. FOREIGN CURRENCY TRANSACTIONS AND BALANCES

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

The results and financial position of all the Group

entities (none of which has the currency of a hyperinflation economy), which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

Assets and liabilities for each 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.

I. EMPLOYEE BENEFITS

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

Equity-settled compensation

The Company issues share-based compensation. This includes a share option arrangement whereby fair value is measured by using an option pricing model. The fair value determined at grant date of the equity-settled share base payments is expensed on a straight-line basis over the vesting period and is recognised as an expense in profit or loss.

J. 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.

K. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

L. 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).

M. GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable. In these circumstances, GST 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.


Cash flows are presented in the statement of cash flows on a gross basis. The GST 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.

N. EARNINGS PER SHARE

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

- costs of servicing equity (other than dividends) and preference share dividends
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares have been recognised as expenses
- 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.

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

O. SEGMENT REPORTING

The Group has applied AASB 8 Operating Segments from 1 July 2009. 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.

P. PARENT ENTITY FINANCIAL INFORMATION

Financial information for the parent entity, Kasbah Resources Limited, is disclosed in Note 20 and has been prepared on the same basis as the consolidated financial statements.

Q. EXPLORATION AND EVALUATION EXPENDITURE

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

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

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

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

end and the Directors are satisfied the value is recoverable.

R. COMPARATIVE FIGURES

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

S. CRITICAL ACCOUNTING ESTIMATES AND SIGNIFICANT JUDGEMENTS

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the entity. As at 30 June 2010, the only assets or liabilities, which are subject to significant accounting estimates and judgments, are set out below.

Exploration and Evaluation Expenditure

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

Share Based Payments

The consolidated entity measures the cost of equity-settled transactions with 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 17 for details on calculation of share based payments

T. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

Australian Accounting Standards that have recently been issued or amended but are not yet effective for the Group and have not been adopted for the reporting period ended 30 June 2010 are as follows:

| AASB reference | Title and Affected Standard(s) | Application date of standard | Impact on initial Application |
|-------------------------------|--------------------------------------|--|---|
| AASB 9 (issued December 2009) | Financial Instruments | Periods beginning on or after January 2013 | Initial adoption of this amendment will have no impact on the Group. |
| AASB 101 | Presentation of Financial Statements | Periods commencing on or after 1 January 2010 | Initial adoption of this amendment will have no impact as the entity does not have any current liabilities where the counter party has the option to have the liabilities settled by the issue of equity instruments. |
| AASB 107 | Statement of Cash Flows | Periods commencing on or after 1 January 2010 | Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position. |
| AASB 124 | Related Party Disclosures | Annual reporting periods commencing on or after 1 January 2011 | As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various disclosures currently required by government entities about related party transactions with other entities that are controlled, or significantly influenced by the same government entity will no longer be required if it is costly to gather and of less value to users. |

2 REVENUE

| | Consolidated | |
|--|--------------|---------|
| | 2010 | 2009 |
| | \$ | \$ |
| Individually Significant Items of Revenue | | |
| Interest revenue | 79,840 | 216,664 |

3 PROFIT FOR THE YEAR

| | Consolidated | |
|--|--------------|---------|
| | 2010 | 2009 |
| | \$ | \$ |
| Profit before income tax includes the following items | | |
| Depreciation and amortisation | 109,078 | 96,859 |
| Plant and Equipment | 16,608 | 22,654 |
| Amortisation | 125,686 | 119,513 |
| Lease Rentals | - | 9,840 |
| Superannuation expense | 46,988 | 28,227 |

| | Consolidated | |
|---|--------------|-------------|
| | 2010 \$ | 2009 \$ |
| a) Income Tax expenses (benefit) | | |
| Current tax | - | - |
| Deferred tax | - | - |
| | - | - |
| b) Reconciliation if income tax expense to prima facia tax payable: | | |
| Profit/(Loss) before income tax expense | (5,997,500) | (3,951,021) |
| Tax at Australian tax rate 30% (2009: 30%) | (1,799,250) | (1,185,307) |
| Tax effect of amounts not deductible (taxable) in calculating taxable income | (85,297) | 655,619 |
| Deferred tax assets not brought to account on tax losses and temporary difference | 1,884,547 | 529,688 |
| | - | - |
| c) Deferred Tax Assets Deferred Tax Assets | | |
| Temporary difference | 7,500 | 386 |
| Tax losses - Revenue | 4,029,038 | 955,165 |
| | 4,036,538 | 955,551 |
| d) Offset against Deferred Tax | | |
| Liabilities recognised | (1,259) | (1,605) |
| Offset by Deferred Assets not brought to account | 4,035,279 | 953,946 |
| e) Deferred Tax Liabilities | | |
| Temporary differences | 1,259 | 1,605 |
| Offset by Deferred Assets not recognised | (1,259) | (1,605) |
| | - | - |

5 REMUNERATION OF AUDITORS

| | Consolidated | |
|---|---------------|---------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Audit Services | | |
| Auditors of the Company - BDO Audit (WA) Pty Ltd | 35,500 | 23,268 |
| Remuneration of other auditor for subsidiaries | 22,796 | 6,762 |
| Total remuneration for Audit services | 58,296 | 30,030 |
| Amounts received, or due and receivable, for taxation and other services by: | | |
| Affiliated companies to the - BDO Audit (WA) Pty Ltd | 27,149 | 32,650 |

6 CASH AND CASH EQUIVALENTS

| | Consolidated | |
|----------------------|------------------|------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Cash at bank in hand | 3,528,380 | 148,455 |
| Short-term deposits | 210,000 | 4,672,104 |
| | 3,738,380 | 4,820,559 |

(a) Risk Exposure

The Groups' exposure to interest rate risk is disclosed in Note 22. 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.

7

TRADE AND OTHER RECEIVABLES

| | Consolidated | |
|-----------------------------|--------------|-----------|
| | 2010 | 2009 |
| | \$ | \$ |
| Current | | |
| Trade and other receivables | 32,995 | 39,080 |
| VAT receivables | 230,400 | 184,439 |
| Impairment of VAT (note a) | (230,400) | (184,439) |
| | 32,995 | 39,080 |

As at 30 June 2010 the trade debtors of the Group were Nil (2009: \$3,582). GST receivable was incurred in the normal course of business and no allowance has been made for the non-recovery. Refer Note 22 for the group entity's credit risk policy. The carrying amount of trade and other receivables approximated fair value.

(a) Impaired VAT Receivables

As at 30 June 2010 the Group had VAT receivable in Morocco of \$230,400 (2009: \$184,439). The VAT is recoverable against generation of revenue for which the Group would be required to remit VAT. The Company determined that at this stage of exploration it was not yet probable that it would generate this revenue and the whole of the VAT receivable has been treated as impaired.

| | | |
|--|-----------|-----------|
| Opening balance VAT | 184,439 | 121,708 |
| VAT received | 45,961 | 62,731 |
| Total VAT | 230,400 | 184,439 |
| Opening balance impairment of VAT | (184,439) | (121,708) |
| Impairment recognised for the year | (45,961) | (62,731) |
| Total provision for impairment of VAT | (230,400) | (184,439) |

8

PREPAYMENTS

| | Consolidated | |
|--------------------------|--------------|--------|
| | 2010 | 2009 |
| | \$ | \$ |
| Current | | |
| Insurance | 34,792 | 40,574 |
| Total prepayments | 34,792 | 40,574 |

9

PROPERTY, PLANT AND EQUIPMENT

| | Consolidated | |
|--|----------------|----------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Plant and equipment – at cost | 504,446 | 280,167 |
| Less: Accumulated depreciation | (181,921) | (103,991) |
| Total plant and equipment at net book value | 322,525 | 176,176 |
| Motor vehicles - at cost | 104,571 | 114,897 |
| Less: Accumulated depreciation | (53,198) | (42,709) |
| Total motor vehicles at net book value | 51,373 | 72,188 |
| Computer software - at cost | 58,475 | 58,475 |
| Less: Accumulated amortisation | (58,475) | (41,867) |
| Total computer software at net book value | - | 16,608 |
| Total Property Plant and Equipment | 373,898 | 264,972 |

Reconciliations

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

Plant and Equipment

| | | |
|---------------------------------------|----------------|----------------|
| Carrying amount at beginning of year | 176,176 | 213,832 |
| Additions | 242,806 | 12,940 |
| Disposals | - | - |
| Movement due to foreign exchange | (9,958) | 15,365 |
| Depreciation | (86,499) | (65,961) |
| Carrying amount at end of year | 322,525 | 176,176 |

Motor Vehicles

| | | |
|---------------------------------------|---------------|---------------|
| Carrying amount at beginning of year | 72,188 | 102,405 |
| Additions | - | - |
| Disposals | - | - |
| Movement due to foreign exchange | 1,764 | (1) |
| Depreciation | (22,579) | (30,216) |
| Carrying amount at end of year | 51,373 | 72,188 |

Computer Software

| | | |
|---------------------------------------|----------|---------------|
| Carrying amount at beginning of year | 16,608 | 39,262 |
| Additions | - | - |
| Disposals | - | - |
| Movement due to foreign exchange | - | - |
| Amortisation | (16,608) | (22,654) |
| Carrying amount at end of year | - | 16,608 |

10

EXPLORATION AND EVALUATION EXPENDITURE

| | Consolidated | |
|---|------------------|------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Costs carried forward in respect of areas of interest in: | | |
| Exploration and/or evaluation phase | | |
| Balance at beginning of year | 1,406,685 | 1,406,685 |
| Acquisitions of tenements | - | - |
| Exploration and evaluation expenditure written- off | - | - |
| Movement due to foreign exchange | (266,224) | - |
| Total exploration and evaluation expenditure | <u>1,140,461</u> | <u>1,406,685</u> |

The ultimate recovery of costs carried forward for exploration and evaluation phases is dependent upon the successful development and commercial exploitation or sale of the respective areas.

11

TRADE AND OTHER PAYABLES

| | Consolidated | |
|----------------|----------------|----------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Current | | |
| Trade payables | 88,968 | 196,573 |
| Other payables | 605,119 | 99,798 |
| | <u>694,087</u> | <u>296,371</u> |

a) Risk Exposure

Information about the Group's exposure to foreign exchange risk is provided in Note 22.

12

CONTRIBUTED EQUITY

| | Consolidated | | | |
|--|-----------------------------|-----------------------------|-------------------|-------------------|
| | 2010 Number of Shares | 2009 Number of Shares | 2010 \$ | 2009 \$ |
| Issued and Paid-up Capital | | | | |
| Ordinary shares, fully paid | 237,315,006 | 177,000,006 | 19,998,350 | 11,725,850 |
| Performance shares | - | 15,000,003 | - | 3,750,000 |
| Total issued Capital | 237,315,006 | 192,000,009 | 19,998,350 | 15,475,850 |
| a) Movements in ordinary share capital | | | | |
| Balance at the beginning of the financial year | 177,000,006 | 88,500,003 | 11,725,850 | 9,195,200 |
| Share issue pursuant to Entitlement issue of prospectus for 1 for 1 at 3 cents (June 2009) | - | 88,500,003 | - | 2,655,000 |
| Less Capital raising costs | - | - | - | (124,350) |
| 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 each (Apr 2010) | 13,300,000 | - | 997,500 | - |
| Share placement to African Lion Group at 7.5 cents each (Jun 2010) | 14,500,000 | - | 1,087,500 | - |
| Share placement to International Finance Corporation at 7.5 cents each (Jun 2010) | 32,500,000 | - | 2,437,500 | - |
| Issued capital at end of period | 237,315,006 | 177,000,006 | 19,998,350 | 11,725,850 |
| b) Movements in Performance share capital | | | | |
| Balance at the beginning of the financial year | 15,000,003 | 15,000,003 | 3,750,000 | 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 | - | 15,000,003 | - | 3,750,000 |

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 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

13

RESERVES

| | Consolidated | |
|---|------------------|------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Share based payment reserve | 2,503,854 | 2,289,163 |
| Foreign currency translation reserve | (409,620) | (20,869) |
| | <u>2,094,234</u> | <u>2,268,294</u> |
| Share based payment reserves | | |
| Opening Balance 01/07/2009 | 2,289,163 | 1,951,824 |
| Employee share based payments | 214,691 | 337,339 |
| | <u>2,503,854</u> | <u>2,289,163</u> |
| Foreign currency transaction reserve | | |
| Opening Balance 01/07/2009 | (20,869) | (101,702) |
| Currency translation differences | (388,751) | 80,833 |
| | <u>(409,620)</u> | <u>(20,869)</u> |

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(h).

14

ACCUMULATED LOSSES

| | Consolidated | |
|--|---------------------|---------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Opening accumulated losses | (11,468,645) | (7,517,621) |
| Profit/(loss) after related income tax | (5,997,500) | (3,951,024) |
| Accumulated losses at the end of the year | <u>(17,466,145)</u> | <u>(11,468,645)</u> |

15 RELATED PARTY DISCLOSURES

(a) Directors

The names of each person holding the position of Director of Kasbah Resources Limited during the financial year were:

Current

Graeme Walker – appointed since 2006

Wayne Bramwell – appointed since 2006

Dr Rodney Marston – appointed since 2006

Dr Robert Weinberg – appointed since 2006

Former

Peter Hepburn-Brown – appointed 2006 (resigned November 2009)

Directors' Remuneration – Information on Directors' Remuneration is disclosed in the Directors' report

(b) Directors' Holdings of Shares and Share Options

The interests of Directors of the Company and their Director-related entities in shares and share options of the Company are set out as follows:

| | Consolidated | |
|------------------------------------|------------------|------------------|
| | 2010 | 2009 |
| | Number of shares | Number of shares |
| Ordinary Shares | 12,779,023 | 14,379,002 |
| Options to acquire ordinary shares | 11,075,000 | 15,075,000 |

(c) Transactions with Directors' related entities

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

| | Consolidated | |
|---|---------------|---------------|
| | 2010 | 2009 |
| | \$ | \$ |
| i) Amounts paid to Sabre Ventures Pty Ltd, a company in which Mr W Bramwell is a Director and shareholder | | |
| Gross payments for secretarial and support services | 42,241 | 29,250 |
| ii) Amounts paid to Mr Peter Hepburn Brown as consultant fees | | |
| Gross payments for consulting fees | - | 17,000 |
| Total amounts paid or payable | 42,241 | 46,250 |

A Director, Mr Wayne Bramwell, is a director and shareholder of Sabre Ventures Pty Ltd (Sabre). Sabre was paid for secretarial and support services to Kasbah pertaining to the Moroccan entity during the year of \$42,241 (2009: \$29,250).

Mr Peter Hepburn-Brown became a Non-Executive Director of the Company in June 2008. He was been paid consulting fees of nil (2009: \$17,000) in relation to consulting services performed outside his role as a Director.

(d) Balances with Controlled Entities

During year ended 30 June 2010 the parent entity advanced loans to its subsidiaries of \$1,577,046 (2009: \$1,127,558).

16

KEY MANAGEMENT PERSONNEL

(a) Remuneration of Key Management Personnel

Remuneration to Directors and other Key Management Personnel:

| | Consolidated | |
|-------------------------------|--------------|-----------|
| | 2010 | 2009 |
| | \$ | \$ |
| Short-term employee benefits | 702,669 | 632,026 |
| Post employment benefits | 55,964 | 39,423 |
| Long term employment benefits | - | - |
| Share based payments | 195,697 | 337,337 |
| | 954,330 | 1,008,786 |

Detailed remuneration disclosures are provided in the remuneration report on pages 16 to 21.

(b) Equity Instruments Disclosures Relating to Key Management Personnel

Options and Rights Holdings:

Number of Options held directly or indirectly by Key Management Personnel

| Specific Directors | Held at 1 July 2009 | Granted as remuneration | Exercised | Net Change/ Other | Held at 30 June 2010 | Balance Nominally held |
|--------------------------|------------------------|----------------------------|-----------|-------------------------|----------------------------|------------------------------|
| Graeme Walker | 3,325,000 | - | - | - | 3,325,000 | 3,325,000 |
| Wayne Bramwell | 4,000,000 | - | - | - | 4,000,000 | 4,000,000 |
| Rodney Marston | 1,875,000 | - | - | - | 1,875,000 | 1,875,000 |
| Robert Weinberg | 1,875,000 | - | - | - | 1,875,000 | 1,875,000 |
| Specific Officers | | | | | | |
| Chris Bolger | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| Trevor Hart | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| Jeffrey Lindhorst | 1,000,000 | 500,000 | - | - | 1,500,000 | 1,500,000 |
| Total | 12,075,000 | 2,500,000 | - | - | 14,575,000 | 14,575,000 |

| Specific Directors | Held at 1 July 2008 | Granted as remuneration | Exercised | Net Change/ Other | Held at 30 June 2009 | Balance Nominally held |
|--------------------------|------------------------|----------------------------|-----------|-------------------------|----------------------------|------------------------------|
| Graeme Walker | 3,325,000 | - | - | - | 3,325,000 | 3,325,000 |
| Wayne Bramwell | 4,000,000 | - | - | - | 4,000,000 | 4,000,000 |
| Rodney Marston | 1,875,000 | - | - | - | 1,875,000 | 1,875,000 |
| Robert Weinberg | 1,875,000 | - | - | - | 1,875,000 | 1,875,000 |
| Specific Officers | | | | | | |
| Jeffrey Lindhorst | - | 1,000,000 | - | - | 1,000,000 | 1,000,000 |
| Total | 11,075,000 | 1,000,000 | - | - | 12,075,000 | 12,075,000 |

The Net Change other reflected above included those options which have been forfeited by holders as well as options issued during the year under review.

(c) Shareholdings:

Number of Shares held directly or indirectly by Key Management Personnel

| Specific 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 |
| Graeme Walker | 400,000 | - | - | - | 400,000 | 400,000 |
| Robert Weinberg | 440,000 | - | - | - | 440,000 | 440,000 |
| Rodney Marston | 1,480,000 | - | - | - | 1,480,000 | 1,480,000 |
| Specific Officers | | | | | | |
| Chris Bolger | - | - | - | - | - | - |
| Trevor Hart | - | - | - | 515,000 | 515,000 | 515,000 |
| Jeffrey Lindhorst | - | - | - | - | - | - |
| Total | 15,579,003 | - | - | (3,481,001) | 12,098,002 | 12,594,002 |

* 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.

| Specific Directors | Held at 1 July 2008 | Granted as remuneration | Options Exercised | Net Change/ Other* | Held at 30 June 2009 | Balance Nominally held |
|--------------------------|------------------------|----------------------------|----------------------|--------------------------|----------------------------|------------------------------|
| Graeme Walker | 200,000 | - | - | 200,000 | 400,000 | 400,000 |
| Wayne Bramwell | 8,450,002 | - | - | 4,809,001 | 13,259,003 | 13,755,003 |
| Rodney Marston | 340,000 | - | - | 1,140,000 | 1,480,000 | 1,480,000 |
| Robert Weinberg | 100,000 | - | - | 340,000 | 440,000 | 440,000 |
| Specific Officers | | | | | | |
| Jeffrey Lindhorst | - | - | - | - | - | - |
| Total | 9,090,002 | - | - | 6,489,001 | 15,579,003 | 16,075,003 |

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

(d) Loans

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

(e) Other Transactions with Key Management Personnel

Refer to Note 15 (c) for details of other transactions with Key Management Personnel.

Refer to Note 17(d)(e) for the share based payments to Key Management Personnel.

17

SHARE BASED PAYMENTS EMPLOYEE BENEFITS

The Company has granted options to employees during the year. Each option can be exercised in order to acquire to 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 employee options expire on the earlier of their expiry date or after 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.

| 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 |
| 15 November 2011 | \$0.25 | 5,625,000 | - | - | - | 4,500,000 | 1,125,000 |
| 15 November 2011 | \$0.25 | 9,000,000 | - | - | - | 4,500,000 | 4,500,000 |
| 10 May 2011 | \$0.20 | 1,450,000 | - | - | - | 1,450,000 | - |
| 15 November 2011 | \$0.25 | 1,125,000 | - | - | - | 1,125,000 | - |
| 1 May 2013 | \$0.35 | 1,000,000 | - | - | - | 1,000,000 | - |
| 12 July 2013 | \$0.25 | 1,000,000 | - | - | - | 500,000 | 500,000 |
| 5 January 2015 | \$0.10 | - | 1,500,000 | - | - | - | 1,500,000 |
| 20 April 2015 | \$0.10 | - | 1,500,000 | - | - | - | 1,500,000 |
| | | 19,200,000 | 3,000,000 | - | - | 13,075,000 | 9,125,000 |

The following share-based payments arrangement existed at 30 June 2010

- (a) 5,625,000 options are on issue (issued in 2006) to the Directors with an exercise price of \$0.25 cents and expiry dates of 11 May 2011 (1,875,000 options) and 15 November 2011 (3,750,000 options). The options are exercisable on the following basis;
- 20 percent of the options were exercisable on issue
 - 20 percent of the options are exercisable on the first anniversary and each subsequent anniversary of the Director's appointment
- (b) 9,000,000 options were issued on 15 November 2006 to the executive Directors and the Chief Financial Officer with an exercise price of \$0.25 cents and an expiry date of 15 November 2011. The first tranche of 4,500,000 options required the Kasbah share price to be 37.5 cents for five consecutive days to be exercised and were only exercisable after the first anniversary of issue of the options. The second tranche of 4,500,000 options require the Kasbah share price to be 50 cents for five consecutive days to be exercised and are only exercisable after the second anniversary of the options being issued.

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

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

(d) 1,500,000 options were issued to employees of the Company with an exercise price of \$0.10 and an expiry date of 5 January 2015. The options are exercisable on the following basis:

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

(e) 1,500,000 options were issued to employees of the Company with an exercise price of \$0.10 and an expiry date of 20 April 2015. The options are exercisable on the following basis:

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

In the event of the employee's employment being terminated, those options which have not vested will lapse.

Using a Black-Scholes option valuation methodology, the fair value of the options issued in 2010 was 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 options outstanding at 30 June 2010 had a weighted average exercise price of \$0.227 (2009: \$0.246) and a weighted average remaining life of 1.79 years (2009: 2.75 years).

The weighted average fair value of the options granted during the year was \$0.10.

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.

| | 2010 Number of Options | 2010 Weighted Average Price \$ | 2009 Number of Options | 2009 Weighted Average Price \$ |
|---|------------------------|--------------------------------|------------------------|--------------------------------|
| Outstanding at the beginning of the year | 22,200,000 | - | 20,075,000 | - |
| Issued | 3,000,000 | 0.10 | 2,125,000 | 0.35 |
| Forfeited | - | - | - | - |
| Exercised | - | - | - | - |
| Expired | (3,000,000) | - | - | - |
| Outstanding at year end | 22,200,000 | 0.227 | 22,200,000 | 0.257 |
| Exercisable at year end | 12,692,500 | | 14,270,000 | |

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 | |
|-------------------------------|--------------|-------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Revenue from external sources | - | - |
| Reportable segment loss | (4,197,531) | (1,315,050) |
| Reportable segment assets | 1,496,412 | 1,649,381 |

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

| | | |
|---|-------------|-------------|
| Total loss for reportable segment | (4,197,531) | (2,133,027) |
| Unallocated | | |
| Corporate expenses | (1,921,441) | (2,051,020) |
| Interest revenue | 79,840 | 216,664 |
| Other revenue | 41,632 | 16,359 |
| Loss before income tax from continuing operations | (5,997,500) | (3,951,024) |

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

| | | |
|--|-----------|-----------|
| Segment Assets | 1,496,412 | 1,649,381 |
| Unallocated | | |
| Cash | 3,738,380 | 4,820,559 |
| Other | 85,734 | 101,930 |
| Total assets as per statement of financial position | 5,320,526 | 6,571,870 |

As the Group does not yet generate revenue it has no major customers by segment to report.

19 NOTES TO STATEMENTS OF CASH FLOWS

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at bank. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

| | Consolidated | |
|-------------|--------------|-----------|
| | 2010 | 2009 |
| | \$ | \$ |
| Cash assets | 3,738,380 | 4,820,559 |

(b) Reconciliation of Profit/(Loss) after income tax to net cash provided by operating activities

| | | |
|--|--------------------|--------------------|
| Profit/(Loss) after Income tax | (5,997,500) | (3,951,024) |
| Add/(less) items classified as investing/financing activities | | |
| Depreciation | 125,686 | 119,513 |
| Interest income | (80,994) | (240,069) |
| Option base payment expense | 214,691 | 337,339 |
| Impairment of expenses | 82,640 | 195,470 |
| Net cash provided by operating activities before change in assets and liabilities | (5,655,477) | (3,538,771) |
| (Increase)/Decrease in Assets | | |
| Receivables | 1,155 | 23,405 |
| (Increase)/Decrease in Liabilities | | |
| Payables | 246,195 | (179,205) |
| Net cash provided by operating activities | (5,408,127) | (3,694,571) |

20

PARENT ENTITY INFORMATION

The following information relates to the parent entity, Kasbah Resources Limited, at 30 June 2010. The information presented has been prepared using consistent accounting policies as presented in Note 1.

| | Parent | |
|--|--------------------|--------------------|
| | 2010 | 2009 |
| | \$ | \$ |
| Current assets | 6,058,635 | 6,484,706 |
| Non-current assets | 65,601 | 97,766 |
| Total assets | 6,124,236 | 6,582,472 |
| Current liabilities | 649,677 | 281,061 |
| Non-current liabilities | - | - |
| Total liabilities | 649,677 | 281,061 |
| Contributed equity | 19,998,350 | 15,475,850 |
| Accumulated losses | (17,027,645) | (11,463,602) |
| Option reserve | 2,503,854 | 2,289,163 |
| Other reserve | - | - |
| Total equity | 5,474,559 | 6,301,411 |
| Loss for the year | (5,564,043) | (3,988,251) |
| Other comprehensive income | - | - |
| Total comprehensive loss for the year | (5,564,043) | (3,988,251) |

21

EARNINGS / (LOSS) PER SHARE

| | 2010 | 2009 |
|--|-------------|-------------|
| | Cents | Cents |
| Basic earnings / (loss) per share (cents per share) | (3.30) | (3.80) |
| Weighted average number of ordinary shares used in the calculation of basic loss per share | 181,474,362 | 103,458,910 |
| Net profit / (loss) attributed to EPS | (5,997,500) | (3,951,024) |

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

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 counter party 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 Westpac Banking Corporation, which has an AA credit rating, and in Morocco with Societe Generale, which has an A+ credit rating. Sufficient funds to cover only one quarter's funding requirements are maintained in Morocco.

Trade and other receivables

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

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. The Group's maximum exposure to credit risk at the reporting date was:

| | Consolidated | |
|-----------------------------|--------------|-----------|
| | 2010 | 2009 |
| | \$ | \$ |
| Trade and other receivables | 4,195 | 8,932 |
| Cash and cash equivalents | 3,738,380 | 4,820,559 |

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 and 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 Months or less \$ | 6-12 Months \$ | 1-2 Years \$ | 2-5 Years \$ | More than 5 years \$ |
|----------------------------------|-----------------------|------------------------|-------------------|-----------------|-----------------|-------------------------|
| Consolidated 30 June 2010 | | | | | | |
| Trade and other payables | 562,779 | 562,779 | - | - | - | - |
| | 562,779 | 562,779 | - | - | - | - |
| Consolidated 30 June 2009 | | | | | | |
| Trade and other payables | 278,760 | 278,760 | - | - | - | - |
| | 278,760 | 278,760 | - | - | - | - |

Market Risk

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

Currency risk

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

Exposure to currency risk

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

| | 30 June 2010 USD | 30 June 2009 USD |
|---------------------------|---------------------|---------------------|
| IN AUD | | |
| Cash and cash equivalents | - | - |
| Trade payables | (402,601) | - |
| | (402,601) | - |

Sensitivity analysis

A 10 percent strengthening or weakening of the Australian dollar against the following currencies at 30 June would have increased or 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 2009.

| | Equity | Profit or loss |
|---------------------|-----------|----------------|
| 30 June 2010 | | |
| MAD +10% | 109,171 | 109,171 |
| MAD -10% | (109,171) | (109,171) |
| 30 June 2009 | | |
| MAD +10% | 97,784 | 97,784 |
| MAD -10% | (97,784) | (97,784) |

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 2010 all cash and cash equivalents in Australia were with one financial institution, Westpac Banking Corporation Limited.

At the reporting date, if interest rates had been 50 basis points (0.05%), higher or lower and all other variables were held constant, the Company's net profit would increase by \$1,766 or decrease by \$1,766 (2009: \$2,400). This is mainly attributable to the Group's exposure to interest rates on its deposits.

| | Consolidated | |
|---------------------------|--------------|------------|
| AUD | 2010 \$ | 2009 \$ |
| Cash and cash equivalents | 3,528,380 | 4,820,559 |
| Short term cash deposits | 210,000 | - |
| | 3,738,380 | 4,820,559 |

The fair value of all financial assets and financial liabilities are current approximates of 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.

23

CONTROLLED ENTITIES

| | Interest Held 2010 % | Interest Held 2009 % |
|--|----------------------------|----------------------------|
| a) Particulars in relation to controlled entities | | |
| Parent entity | | |
| Kasbah Resources Limited | | |
| Controlled entities | | |
| Kasbah Gold SARLAU | 100 | 100 |
| Hamada Minerals SARLAU | 100 | 100 |

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

| | Consolidated | |
|--|--------------|---------|
| | 2010 | 2009 |
| | \$ | \$ |
| Lease/Hire Purchase Commitments | | |
| Operating lease repayments are payable as follows: | | |
| not later than one year | 9,167 | 8,195 |
| later than one year but not later than five years | - | - |
| | 9,167 | 8,194 |
| Remuneration Commitments | | |
| Commitments for the payment of salaries and other remuneration under long-term employment contracts in existence at the reporting date but not recognised as liabilities, payable: | | |
| not later than one year | 250,000 | 187,500 |
| later than one year but not later than five years | - | - |
| | 250,000 | 187,500 |

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of Key Management Personnel referred to in the remuneration report on page 8 which are not recognised as liabilities and are not included in the Key Management Personnel compensation.

The Company has drilling expenditure commitments in the forth coming year of \$1,021,000. These obligations are not provided for in the financial statements. These obligations may be varied or cancelled in accordance with the terms and conditions of drilling contract.

On 2 August 2010 Mr David Michael Spratt was appointed to the board as a Non-Executive Director.

DIRECTOR'S DECLARATION

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

1. The consolidated financial statements, comprising of the statement of financial position, statement of comprehensive income, statement of cash flows, statement of changes in equity, and 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 2010 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 16 to 21 of the Directors' Report (as part of the audited Remuneration Report); for the year ended 30 June 2010, 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 required by section 295A.
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.



Wayne Bramwell

Managing Director

Dated: this day 28 of September 2010

INDEPENDENT AUDIT REPORT



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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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Independence

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



Auditor's Opinion

In our opinion:

- (a) the financial report of Kasbah Resources Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, we draw attention to Note 1 to the financial statements. The company will have to seek additional funding in order to progress the planned exploitation of its exploration assets. If the company is unable to obtain additional funding it may indicate the existence of a material uncertainty which may cast doubt on the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the values stated in this financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Kasbah Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

Brad McVeigh
Director

Perth, Western Australia
Dated this 28th day of September 2010

ASX ADDITIONAL INFORMATION

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 21 September 2010.

CAPITAL STRUCTURE

237,315,006 fully paid shares listed on the Australian Stock Exchange. The Company has 52,350,000 unquoted options on issue.

DISTRIBUTION OF SHARE HOLDINGS

The distribution of share holdings as at 20 September 2010 was:

| Range | No. of Holders | No. of Securities |
|-------------------------------|-----------------------|--------------------------|
| 1-1,000 | 8 | 1,072 |
| 1,0001 - 5,000 | 37 | 123,150 |
| 5,001 - 10,000 | 79 | 683,965 |
| 10,001 - 100,000 | 387 | 17,518,961 |
| 100,001 + over | 159 | 218,987,858 |
| Total | 670 | 237,315,006 |
| Less than a marketable parcel | 25 | 3,334 |

SUBSTANTIAL SHAREHOLDERS

| Shareholder Name | Number of Shares |
|-----------------------------------|-------------------------|
| African Lion 2 & 3 Limited | 32,500,000 |
| International Finance Corporation | 32,500,000 |
| Resource Capital Fund III LP | 18,000,000 |
| Traxys LP | 13,300,000 |
| Societe Generale (Canada Branch) | 12,000,000 |

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.

COMPANY SECRETARY

The name of the Company Secretary is Mr Trevor G Hart.

REGISTERED OFFICE

The registered office is at: 19 Hardy Street, South Perth WA 6151
 Telephone: +61 8 9463 6651
 Facsimile: +61 8 9463 6652

TWENTY LARGEST QUOTED EQUITY SECURITY HOLDERS

| | Name | Number of Shares | % of Total Issued Shares |
|----|--|------------------|--------------------------|
| 1 | African Lion 2 & 3 Limited | 32,500,000 | 13.69 |
| 2 | International Finance Corporation | 32,500,000 | 13.69 |
| 3 | Resource Capital Fund III LP | 18,000,000 | 7.58 |
| 4 | Traxys LP | 13,300,000 | 5.60 |
| 5 | Merrill Lynch Australia Nominees | 12,620,000 | 5.32 |
| 6 | Societe Generale (Canada Branch) | 12,000,000 | 5.06 |
| 7 | Tarifa Investments Pty Ltd | 8,100,002 | 3.41 |
| 8 | ANZ Nominees Limited | 7,805,166 | 3.29 |
| 9 | Thailand Smelting and Refining Limited | 6,000,000 | 2.53 |
| 10 | Macquarie Bank Limited | 4,000,000 | 1.69 |
| 11 | HSBC Custody Nominees | 3,617,000 | 1.52 |
| 12 | Mrs Clare Annette McCammon | 3,300,000 | 1.39 |
| 13 | AFM Perseus Fund Limited | 3,000,000 | 1.26 |
| 14 | JP Morgan Nominees Australian Limited | 2,000,000 | 0.84 |
| 15 | Mr John Andrew MacKay | 2,000,000 | 0.84 |
| 16 | Nakuru Resources Pty Ltd | 2,000,000 | 0.84 |
| 17 | DYSPO Pty Ltd | 1,950,000 | 0.82 |
| 18 | Malcruizer Pty Ltd | 1,900,000 | 0.80 |
| 19 | Custodial Services Limited | 1,824,990 | 0.77 |
| 20 | MD James Pty Ltd | 1,760,000 | 0.74 |



UNQUOTED SECURITIES (OPTIONS)

- 9,000,000 Management Options with an exercise price of \$0.25 exercisable on or before 15 November 2011 to and subject certain performance triggers (service length and share price hurdles). These options are held by the Managing Director, Former Executive Director and the former Chief Financial Officer. Details of the holdings are disclosed elsewhere in this annual report.
- 5,625,000 options issued in lieu of 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.
- 1,450,000 options issued and exercisable at \$0.20 on or before 15 November 2011.
- 1,000,000 Management Options with an exercise price of \$0.35 exercisable on or before 1 May 2013 and subject to service length.
- 1,000,000 Management Options with an exercise price of \$0.25 exercisable on or before 14 July 2013 and subject to service length.
- 1,125,000 Options issued in lieu of Director's fees exercisable at \$0.25 on or before 15 November 2011 vesting in equal tranches.
- 1,500,000 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 20 April 2015 and subject to service length.
- 6,650,000 Placement Options with an exercise price of \$0.25 exercisable on or before 19 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.



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