

KASBAH RESOURCES LIMITED
A.C.N. 003 010 099
AND CONTROLLED ENTITIES

FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2006

CORPORATE DIRECTORY

Directors

Graeme Walker - Non-Executive Chairman
Wayne Bramwell - Managing Director
Peter Hepburn-Brown - Technical Director

Auditors

BDO Chartered Accountants and Advisers
256 St George's Terrace
Perth Western Australia 6000

Company Secretary

Peter R Youd

Registered Office

Level 2
675 Murray Street
West Perth WA 6005

Head Office

Level 2
675 Murray Street
West Perth WA 6005

T: +61 (0)8 9226 3269

Legal Advisors

Steinepreis Paganin

Level 4, Next Building
16 Miliigan Street
Perth WA 6000

Country of Incorporation

Kasbah Resources Limited is domiciled
and incorporated in Australia

CONTENTS

Directors' Report	1
Income Statement	5
Balance Sheet	6
Statement of Changes in Equity	7
Cash Flow Statement	8
Notes to the Financial Statements	9
Director's Declaration	18
Audit Report	19
Auditors Declaration	20

KASBAH RESOURCES LIMITED

DIRECTORS REPORT

The Directors of Kasbah Resources Limited submit their report for the period ended 30 June 2006.

THE BOARD OF DIRECTORS

The names and details of the Company's Directors in office during the financial year until the date of this report are as follows.

Graeme Walker - Non-executive Chairman, (55), BComm, CA, CA (SA), FAICD

Graeme holds a Bachelor of Commerce degree from the University of Cape Town and is a Fellow of the Australian Institute of Company Directors. Graeme is a qualified Chartered Accountant and was previously CFO of Ampolex and Normandy Mining. He was formerly a director of Gold Mines of Kalgoorlie Limited, Mt Leyshon Gold Mines Limited, Normandy Resources Limited 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 is also the Chairman of Iberian Resources Limited.

Wayne Bramwell – Managing Director, (40), BSc, Grad Dip Bus, MSc (Mineral Economics)

Wayne is a Metallurgist and Mineral Economist with over 14 years experience in operations, project evaluation, acquisition and project development. Has held senior commercial, project management and development positions with Iberian Resources Limited, Breakaway Resources Limited, Harmony Gold Australia Limited, Hill 50 Gold Limited and several Australian engineering companies. During 2000-2002 he led the acquisition, feasibility study and environmental approvals for the Collingwood Tin Project in Queensland, Australia.

Peter Hepburn-Brown – Technical Director, (49), BApp Sc (Mining Engineering), Grad Dip HR

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 that include Harmony Gold Limited, Great Central Mines Limited and Nuigini Mining Limited. During 2005-2006, Peter managed the redevelopment of the Collingwood Underground Tin Mine in Australia.

Peter is also a Director of Iberian Resources Limited and Alloy Resources Limited and is on the board of Gleneagle Gold Limited.

Principal Activities

The principal activity of the Company during the course of the financial year was to secure the acquisition of the Achmmach Tin Project in Morocco.

The Company was incorporated on October 31st, 2005 and this was its first year of operations.

Results of Operations

The Company made a loss after tax of \$325,365.

Operating and Financial Review

The Directors have secured the right to explore and develop the Achmmach Tin Project in Morocco. As a result of this the Directors will be seeking to list the Company on the Alternative Investment Market (AIM) in London during the final quarter of calendar 2006.

Risk Management

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the board.

The Company believes that it is crucial for all board members to be a part of this process, and as such the board has not established a separate risk management committee.

KASBAH RESOURCES LIMITED DIRECTORS REPORT

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of all acquisitions/farm-ins/farm-outs of mineral projects
- The receipt of regular financial information
- The approval of budgets on all significant mineral projects and monitoring of budgets.

Adoption of Australian Equivalents to IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (IFRS), the Company's financial report has been prepared in accordance with those Standards

Significant Events after Balance Date

Subsequent to the year end the Company has sought to raise approximately £1m as a seed raising to assist in funding the Company's ongoing operations and its move to list on AIM.

Likely Developments and Expected Results

The Company is seeking to raise £6m on AIM and to explore and develop the Achmmach Tin Project with these funds. In the event the funds are raised exploration drilling will commence in November or December 2006 with a view to being able to proceed to feasibility by September of 2007.

Share Issues

As at June 30th, 2006 the Company had 21,000,003 fully paid ordinary shares on issue. There were no options on issue and no options had been exercised during the period ended June 30th, 2006.

Directors' Meetings

The following table sets out the number of meetings of the Company's Directors held while each Director was in office and the number of meetings attended by each Director:

Director	Board Meetings Number of meetings held	Number of meetings attended
Graeme Walker	0	0
Wayne Bramwell	1	1
Peter Hepburn-Brown	0	0

**KASBAH RESOURCES LIMITED
DIRECTORS REPORT**

REMUNERATION REPORT

Remuneration policy

The Company's policy for determining the nature and amount of emoluments of board members and senior executives are as follows:

Executive Remuneration

The Company's remuneration policy for executive directors is designed to promote superior performance and long term commitment to the Company. Executives receive a base salary which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the best interests of the Company and its shareholders to do so. The Board's reward policy reflects its obligation to align executive's remuneration with shareholders' interests and retain appropriately qualified executive talent for the benefit of the Company. The main principles of the policy are:

- Reward reflects the competitive market in which the Company operates
- Individual reward should be linked to performance criteria; and
- Executives should be rewarded for both financial and non-financial performance.

Non- Executive Remuneration

Shareholders approve the maximum aggregate remuneration for non-executive directors. The Board recommends the actual payments to directors. All directors are entitled to have any indemnity insurance paid by the Company (currently nil).

The board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

Directors and Executive Officers Emoluments (Key Management Personnel)

Disclosures relating to directors and executive officers (key personnel) emoluments are outlined below. To date, no options have been issued to directors as part of remuneration.

2006

Directors of Kasbah Resources Limited

Name	Short Term		Post-employment Super \$	Equity (Share Based)		
	Cash salary and fees \$	Cash bonus \$		Options \$	Shares \$	Total \$
Graeme Walker	-	-	-	-	-	-
Wayne Bramwell	67,221	-	-	-	10,401	67,221
Peter Hepburn-Brown	66,990	-	-	-	-	66,990

As at the date of this report, Wayne Bramwell holds 4,100,001 shares in the Company.

**KASBAH RESOURCES LIMITED
DIRECTORS REPORT**

Environmental Regulation and Performance

So far as the Directors are aware, there have been no significant breaches of environmental conditions of the Company's exploration licences.

Indemnification and Insurance of Directors

There is currently no Directors' and Officers' Insurance.

Proceedings on Behalf of Company

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

Auditor

BDO Chartered Accountants and Advisers continue in office in accordance with section 327 of the Corporations Act 2001.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and is set out on page 31.

Signed in accordance with a resolution of Directors dated this 25 day of September 2006

Wayne Bramwell
Director

**KASBAH RESOURCES LIMITED
INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006**

	Note	2006 \$
Revenue	2	24,782
Depreciation and amortisation expense		113
Consultancy fees		275,365
Other costs		74,668

Loss before income tax		(325,364)
Income tax expense	3	-
Profit from continuing operations		(325,364)
Profit (loss) from discontinued operations		-

Loss for the period		(325,364)
Basic loss per share	15	(1.5)

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

KASBAH RESOURCES LIMITED
BALANCE SHEET
AS AT 30 JUNE 2006

	Note	2006 \$
ASSETS		
Current Assets		
Cash and cash equivalents	5	941,012
Trade and other receivables	6	28,729

Total current assets		969,741

Non-current assets		
Property, plant and equipment	7	1,705

Total Non-current assets		1,705

TOTAL ASSETS		971,446

LIABILITIES		
Current Liabilities		
Trade and other payables	8	265,528

Total current liabilities		265,528

TOTAL LIABILITIES		265,528

Net assets		705,918
		=====
EQUITY		
Contributed equity	9	1,031,282
Accumulated losses		(325,364)

Total equity		705,918
		=====

The above balance sheet should be read in conjunction with the accompanying notes.

**KASBAH RESOURCES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2006**

	Issued Share Capital \$	Accumulated Losses \$	Total \$
Balance at incorporation 31 October 2005	3	-	3
(Loss) for the year	-	(325,364)	(325,364)
Shares issued during the year	1,031,179	-	1,031,179
Balance as at 30 June 2006	1,031,282	(325,364)	705,918

**KASBAH RESOURCES LIMITED
CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006**

	Note	2006 \$
Cash flows from operating activities		
Cash paid to suppliers and employees		(95,431)
Interest received		8,482

Net cash inflow/(outflow) from operating activities	10	(86,949)

Cash flows from investing activities		
Purchase of property, plant and equipment		(1,818)

Net cash inflow/(outflow) from investing activities		(1,818)

Cash flows from financing activities		
Proceeds from issue of shares		1,029,779

Net cash inflow/(outflow) from financing activities		1,029,799

Net increase in cash and cash equivalents		941,012
Cash and cash equivalents at beginning of period		-

Cash and cash equivalents at end of period		941,012
		=====

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

KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The Company was incorporated on 31 October 2005, therefore this is the the first year a financial report has been prepared. The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, including the Australian equivalents of International Financial Reporting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has also been prepared on a historical cost basis.

The concept of accruals accounting has been adopted in preparation of the financial report.

The following is a summary of the significant accounting policies adopted by the Company in the preparation of the financial statements. The accounting policies have been consistently applied, unless otherwise stated.

(b) Foreign Currency Translations

The functional and presentation currency of Kasbah Resources Limited is Australian dollars (AUD\$).

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are re-translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Foreign exchange gains and losses resulting from settling foreign currency translations, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the income statement.

(c) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

(d) 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 balance sheet date.

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

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

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

KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic 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

(e) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure incurred is written off as incurred. Acquisition expenditure is accumulated in respect of each identifiable area of interest held in the name of the Company. These acquisition costs are only carried forward to the extent that they are expected to be recouped through the successful development or sale of the area or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated acquisition costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. Where the abandoned area has previously been revalued, the previous revaluation increment is reversed against the Asset Revaluation Reserve.

When production commences, the accumulated acquisition and development costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Any costs of site restoration are provided for during the relevant production stages and included in the costs of that stage.

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

(f) Impairment of Assets

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

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

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

(g) Cash and Cash Equivalents

For the purposes of the Cash Flow Statement, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts.

(h) Trade Receivables

Trade receivables are recognised at original invoice amounts less an allowance for uncollectible amounts and have repayment terms between 30 and 90 days. Collectibility of trade receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance is made for doubtful debts where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms.

KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

(i) Property, Plant and Equipment

Plant and equipment is stated at historical cost, including costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, less depreciation and any impairments.

Plant and equipment is depreciated on a straight-line basis over 5 - 10 years (estimated useful life of the asset).

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

Gains and losses on disposals are calculated as the difference between the net disposal proceeds and the asset's carrying amount and are included in the income statement in the year that the item is derecognised.

(j) Trade and Other Payables

Trade creditors and other liabilities are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company. Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accruals basis.

Trade creditors are normally settled within 30 days.

(k) Employee Benefits

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

ii. Long service leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(l) Contributed Equity

Ordinary shares are classified as equity.

(m) GST

Revenues, expenses are recognised net of GST except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

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

Commitments and contingencies (if any) are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(n) Comparatives

The financial statements do not include comparatives as the Company was only incorporated on 31 October 2005.

2. REVENUE AND EXPENSES FROM CONTINUING OPERATIONS

2006
\$

The operating results before income tax has been determined after:

Revenue from continuing operations

Interest	8,482
Foreign exchange gains or losses	16,300

	24,782
	=====

Expenses from continuing operations

Depreciation	113
Exploration costs	1,503
Administration costs	73,165

	74,781
	=====

**KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006**

3. INCOME TAX EXPENSE

	2006 \$
Income Tax	
Loss from continuing operations before income tax expense	(325,364)

Tax at the Australian tax rate of 30%	(97,610)
Tax losses not recognized as own asset	(97,610)

	-
	=====
Income Tax Loss	
Deferred tax asset arising from tax losses of the Company not brought to account at balance date as realisation of the benefit is not regarded as highly probable	(97,610)
	=====

The benefit for tax losses will only be obtained if:

- (i) the company derives future assessable income of a nature and amount sufficient to enable the benefit from the tax losses to be realized
- (ii) the company continues to comply with the conditions for deductibility imposed by tax legislation; and
- (iii) no changes in tax legislation adversely affect the company realising the benefit from the deductions for the losses.

	2006 \$
Deferred tax assets (at 30%) not brought to account as at 30 June 2006 are made up of:	
Tax losses	(97,610)

	(97,610)
	=====
Deferred tax liabilities at 30 June 2006 are nil.	

4. ASSURANCE SERVICES

Audit Services

Amounts paid / payable to BDO for audit or review of the Financial report for the entity	4,000

Total remuneration for assurance services	4,000
	=====

**KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006**

5. CASH AND CASH EQUIVALENTS

	2006 \$
Cash at bank and in hand	941,012
	941,012
	941,012

Part of this cash at bank balance is a GBP Currency account. This account has £301,137 on hand at balance date. Translated into Australian currency using the rate as at 30 June 2006 of 0.40210 GBP/AUD equates to \$748,910.

6. TRADE AND OTHE RECEIVABLES (CURRENT)

	2006 \$
Goods and services tax refund	28,729
	28,729
	28,729

7. PROPERTY, PLANT & EQUIPMENT

<i>Plant and equipment</i>	
At cost	1,818
Accumulated depreciation	(113)
	1,705
Movements during the year	
Opening balance	-
Additions	1,818
Depreciation	(113)
	1,705
Written down value at period end	1,705

8. TRADE AND OTHE PAYABLES

Trade payables	265,528
	265,528
	265,528

KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

9. CONTRIBUTED EQUITY

	2006	2006
	Shares	\$
Share capital		
Ordinary shares – no par value	21,000,003	1,031,282
	-----	-----
	21,000,003	1,031,282
	-----	-----

Movements in ordinary share capital

Date	Details	Number of	Issue	\$
		Shares	price	
31 October 2005	Incorporation shares	3	1.00	3
1 May 2006	Issue of shares for exploration activities	15,000,000	0.00	1,500
11 May 2006	Shares issued for working capital	3,000,000	0.10	300,000
31 May 2006	Shares issued for working capital	2,000,000	0.24	729,779

				1,031,282
		-----		-----
30 June 2006	Closing balance	21,000,003		1,031,282
		=====		=====

Ordinary shares

Ordinary shareholders are entitled to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the cumulative redeemable preference shares which are classified as liabilities. Every ordinary shareholder present at a meeting in person or by proxy is entitled to one vote on a show of hands or by poll.

10. CASH FLOW

	2006
	\$
Reconciliation of profit after income tax to net cash flow from operating activities	
Loss for the year	(325,364)
Depreciation and amortization	113
Write-off of capitalized expenditure	1,503
Change in operating assets (net of impact from purchase of controlled entity)	
- increase in trade debtors	(28,729)
- increase in trade creditors	265,528

Net cash flow from operating activities	(86,949)
	=====

**KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006**

11. CONTINGENCIES

At the date of this report no contingent assets or liabilities exist.

12. COMMITMENTS

At the date of this report, there are no commitments of any kind.

13. SUBSEQUENT EVENTS

The Company is in the process of gaining admission into AIM (Alternative Investment Market) around the month of October 2006.

By the admission into AIM, the Company is expecting to raise £6,000,000 through the issue of 30,000,000 shares at £0.20 per share.

No other events subsequent to balance date has occurred that is needing further disclosure.

14. SEGMENT INFORMATION

Kasbah Resources currently operates predominantly in one business and geographical segment being the exploration of Tin deposits in Morocco. The Companies operations are situated in the Morocco region, in the Achmmach province south west of Meknes, in the central Hercynian Massif.

All the Companies financial operations however are performed here in Australia, including its head office operation in Perth, Western Australia.

15. LOSS PER SHARE

	2006 \$
The number of ordinary shares used in the calculation of basic earnings per share	21,000,003
	21,000,003
	21,000,003

16. RELATED PARTY TRANSACTIONS

(a) Directors

The directors of Kasbah Resources Limited during the financial period were:

Graeme Walker	- Non-Executive Chairman
Wayne Bramwell	- Managing Director
Peter Hepburn-Brown	- Director

The following related party transactions occurred during the financial year with directors or director-related entities:

Consulting fees paid to Peter Hepburn-Brown and Sabre Investments, a Company which Wayne Branwel is the Director of, for amounts up to \$66,990 and \$67,221 respectively.

No other director related transactions have occurred in the year.

Disclosures relating to Key Management Personnel have been disclosed in the Directors report.

KASBAH RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2006

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT POLICIES

Interest rate risk

The Company's exposure to interest rate risk, which is the risk that the financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rate for classes of financial assets and financial liabilities are set out below:

30 June 2006	Weighted average interest rate	Floating interest	Non-interest bearing	Totals
	\$	\$	\$	\$
Financial Assets				
Cash at bank	5.40%	941,012	-	941,012
Receivables		-	28,729	28,729
		-----	-----	-----
Total Financial Assets		941,012	28,729	969,741
		=====	=====	=====
Financial Liabilities				
Trade and other payables		-	265,528	265,528
		-----	-----	-----
Total Financial Liabilities		-	265,528	265,528
		=====	=====	=====
Net Financial Assets (Liabilities) 30 June 2006		941,012	(236,799)	704,213
		=====	=====	=====

Reconciliation of Net Financial Assets (Liabilities) to Net Assets

Net financial assets	704,213
Property Plant and Equipment	1,705

Net equity	705,918
	=====

Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance sheet date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the balance sheet and the notes to the financial statements. The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments it has entered into. As the Company does not have material debtors, inventories, or any other credit risk, a formal credit risk management policy is not maintained.

Net Fair Values

For all assets and liabilities, their net fair value approximates their carrying values.

No financial assets and financial liabilities are traded on organised markets in standardised form.

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF KASBAH RESOURCES PTY LTD

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of changes in equity, accompanying notes to the financial statements, and the directors' declaration for Kasbah Resources Pty Ltd (the company), for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

The independence declaration given to the directors in accordance with section 307C would be in the same terms if it had been given at the date of this report.

Audit Opinion

In our opinion, the financial report of Kasbah Resources Pty Ltd is in accordance with:

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the year ended on that date; and
- (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO

Chartered Accountants



S Andrawes

Partner

Perth, Western Australia

Dated this 22 September 2006