

## 1.1 Terms of Performance Shares

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of Kasbah Resources Limited (**Company**).
- (b) **(General Meetings)** The Performance Shares shall confer on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** The Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.01 per Performance Share.
- (f) **(Not Transferable)** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the listing rules of the applicable Recognised Securities Exchange at the time of reorganisation.
- (h) **(Application to Recognised Securities Exchange)** The Performance Shares will not be quoted on a Recognised Securities Exchange. However, upon conversion of the Performance Shares into fully paid ordinary shares (**Ordinary Shares**) in accordance with the conditions set out below, if the Company's Shares are quoted on a Recognised Securities Exchange at the time of conversion, the Company must within 7 days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on the Recognised Securities Exchange.
- (i) **(No Other Rights)** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

## 1.2 Conversion of the Performance Shares

- (a) **(Conversion on achievement of milestone)** Each Performance Share will automatically convert into 1 fully paid ordinary share in the

capital of the Company upon the Company exercising its exclusive right to acquire 100% of either the Achmmach Project or El Karit Project (the **Milestone**) on or before 14 February 2010.

- (b) **(Failure to achieve Milestone)** If the Milestone is not achieved by the required date, then each 1,000 Performance Shares will automatically convert into 1 Ordinary Share within 10 Business Days of non satisfaction of the Milestone.
- (c) **(Conversion Procedure)** the Company will issue the Holder with a new holding statement for the Ordinary Shares as soon as practicable following the conversion of the Performance Shares into Ordinary Shares in accordance with condition 1.2(a).
- (d) **(Ranking of Shares)** The Ordinary Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Ordinary Shares.