

**KASBAH RESOURCES LIMITED**  
ABN 78 116 931 705

**INTERIM FINANCIAL REPORT**

**FOR THE HALF-YEAR ENDED**

**31 DECEMBER 2008**

## KASBAH RESOURCES LIMITED

### CORPORATE DIRECTORY

#### Directors

Graeme Walker (Non-Executive Chairman)

Wayne Bramwell (Managing Director)

Peter Hepburn-Brown (Non-Executive Director)

Rod Marston (Non-Executive Director)

Robert Weinberg (Non-Executive Director)

#### Company Secretary

Peter Youd

#### Registered and Principal Office

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#### Stock Exchange Listing

Australian Securities Exchange

Home Branch – Perth

2 The Esplanade

Perth WA 6000

#### ASX Code

KAS

#### Solicitors

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Lawyers & Consultants

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#### Auditor

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# KASBAH RESOURCES LIMITED

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Kasbah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporation Act 2001*.

## KASBAH RESOURCES LIMITED

### DIRECTORS' REPORT

The Board of Directors of Kasbah Resources Limited ("Kasbah" or the "Group") present their report on the Company for the half year ended 31 December 2008.

#### DIRECTORS

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

Graeme Walker (Non-Executive Chairman)	Director since 11 May 2006
Wayne Bramwell (Managing Director)	Director since 31 October 2005
Peter Hepburn-Brown (Non-Executive Director)	Director since 28 November 2005
Rod Marston (Non-Executive Director)	Director since 15 November 2006
Robert Weinberg (Non-Executive Director)	Director since 15 November 2006

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

#### REVIEW AND RESULTS OF OPERATIONS

##### Operating Results

Net operating loss after tax for the half-year ended 31 December 2008 was \$2,152,926 after writing off exploration and development costs of \$1,315,050 and allowing for non-cash costs of \$206,233 for option based payment expense. As disclosed in Note 3 to the accounts, whilst the Group holds exploration properties under option, all exploration costs are required to be written off as incurred regardless of the potential to develop the property.

##### Review of Operations

During the half year ended 31 December 2008 the Group undertook the following:

- ❑ Continued drilling and exploration work at the Achmmach Tin Project.
- ❑ On 10 December 2009 announced a tripling of the JORC compliant resource at the Achmmach project being 6Mt @0.9% Sn containing 52,000 tonnes of tin.
- ❑ Completed a ground magnetic survey on the Tamlalt Gold Project.

## KASBAH RESOURCES LIMITED

### AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Kendalls Audit and Assurance (WA) Pty Ltd to provide the directors of Kasbah Resources Limited with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is on page 19 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors

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

**Wayne Bramwell**  
**Managing Director**  
**South Perth, 25 February 2009**

## KASBAH RESOURCES LIMITED

### DIRECTORS' DECLARATION

The directors of Kasbah Resources Limited declare:

The attached consolidated financial statements and notes set out on pages 7 to 17 are in accordance with the Corporations Act 2001, including:

- (i) complying with Australian Accounting Standard AASB 134 *"Interim Financial Reporting"* and the Corporations Regulations 2001; and
- (ii) giving a true and fair view of the Group's financial position as at 31 December 2008 and of its performance for the six month period ended on that date.

In the Directors opinion and as a result of the matters disclosed in Note 2, there are reasonable grounds to believe Kasbah Resources Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

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

**Wayne Bramwell**  
Managing Director

**South Perth, 25 February 2009**

**KASBAH RESOURCES LIMITED**

**CONSOLIDATED INTERIM INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>31 December 2008</b>	31 December 2007
	\$	\$
Revenue from continuing operations	170,392	316,963
Expenses from continuing operations		
Administration costs	743,813	590,437
Options payment expense	206,233	385,170
Depreciation expense	46,802	3,272
Amortisation expense	11,420	6,618
Exploration costs written off	1,315,050	1,017,649
<b>Loss before income tax expense from continuing operations</b>	<b>(2,152,926)</b>	<b>(1,686,183)</b>
Income tax expense	-	-
<b>Loss for the half-year attributable to members of Kasbah Resources Limited</b>	<b>(2,152,926)</b>	<b>(1,686,183)</b>
Basic loss per share (cents per share)	2.1	1.6
Diluted loss per share (cents per share)	N.A.	N.A.

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

**KASBAH RESOURCES LIMITED**

**CONSOLIDATED INTERIM BALANCE SHEET  
AS AT 31 DECEMBER 2008**

	<b>Note</b>	<b>31 December 2008 \$</b>	<b>30 June 2008 \$</b>
<b>Current Assets</b>			
Cash and cash equivalents		3,690,430	5,736,056
Other financial assets		1,115,990	-
Trade and other receivables		9,505	184,509
Other current assets		41,919	13,510
<b>Total Current Assets</b>		<b>4,857,844</b>	<b>5,934,075</b>
<b>Non-current Assets</b>			
Property, plant and equipment	9	307,841	355,499
Exploration & Evaluation Assets	10	1,406,685	1,406,685
Other financial assets		-	846,907
Other receivables		197,746	-
<b>Total Non-current Assets</b>		<b>1,912,272</b>	<b>2,609,091</b>
<b>TOTAL ASSETS</b>		<b>6,770,116</b>	<b>8,543,166</b>
<b>Current Liabilities</b>			
Trade and other payables		1,124,520	679,220
<b>Total Current Liabilities</b>		<b>1,124,520</b>	<b>679,220</b>
<b>Non-current Liabilities</b>			
Payables		-	586,245
<b>Total Non-current Liabilities</b>		<b>-</b>	<b>586,245</b>
<b>TOTAL LIABILITIES</b>		<b>1,124,520</b>	<b>1,265,465</b>
<b>NET ASSETS</b>		<b>5,645,596</b>	<b>7,277,701</b>
<b>EQUITY</b>			
Issued Capital		12,945,200	12,945,200
Reserves		2,370,943	1,850,122
Accumulated losses		(9,670,547)	(7,517,621)
<b>TOTAL EQUITY</b>		<b>5,645,596</b>	<b>7,277,701</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.



KASBAH RESOURCES LIMITED

**CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**

FOR THE HALF-YEAR ENDED 31 DECEMBER 2008

	Issued Share Capital \$	Accumulated Losses \$	Other Reserves \$	Total \$
<b>Balance as at 1 July 2007</b>	12,945,200	(3,323,199)	1,104,609	10,726,610
Share based payments	-	-	385,170	385,170
Loss for the half-year	-	(1,686,183)	-	(1,686,183)
Total recognised income and expense during the period	-	(1,686,183)	-	(1,686,183)
<b>Balance as at 31 December 2007</b>	<b>12,945,200</b>	<b>(5,009,382)</b>	<b>1,489,779</b>	<b>9,425,597</b>
<b>Balance as at 1 July 2008</b>	12,945,200	(7,517,621)	1,951,823	7,379,402
Share based payments	-	-	206,233	206,233
Foreign Currency translation difference	-	-	212,887	212,887
Total recognised income and expense in equity	-	-	212,887	212,887
Loss for the half-year	-	(2,152,926)	212,887	(1,940,039)
Total recognised income and expense during the period	-	(2,152,926)	-	(2,152,926)
<b>Balance as at 31 December 2008</b>	<b>12,945,200</b>	<b>(9,670,547)</b>	<b>2,370,943</b>	<b>5,645,596</b>

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

**KASBAH RESOURCES LIMITED**

**CONSOLIDATED INTERIM CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	<b>31 December 2008</b>	31 December 2007 \$
<b>Cash flows from operating activities</b>		
Cash paid to suppliers and employees, inclusive of GST	(1,001,560)	(607,965)
Payments for exploration and evaluation	(1,257,386)	(1,017,649)
Interest received	190,879	316,963
<b>Net cash outflows from operating activities</b>	<b>(2,068,067)</b>	<b>(1,308,651)</b>
<b>Cash flows from investing activities</b>		
Acquisition of mining assets	-	(516,233)
Acquisition of plant and equipment	(23,066)	(270,480)
<b>Net cash outflow from investing activities</b>	<b>(23,066)</b>	<b>(786,713)</b>
<b>Net decrease in cash held</b>	<b>(2,091,133)</b>	<b>(2,095,364)</b>
Cash and cash equivalents at 1 July	5,736,056	10,862,724
Effect of exchange rate changes on the balances of cash held in foreign currencies at beginning of financial year	45,507	-
<b>Cash and cash equivalents at 31 December</b>	<b>3,690,430</b>	<b>8,767,360</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**1. REPORTING ENTITY**

Kasbah Resources (“the Group”) is a company domiciled in Australia and is listed on the Australian Securities Exchange. The consolidated interim financial report of the Company as at and for the six months ended 31 December 2008 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial report of the Group as at and for the year ended 30 June 2008 is available upon request from the Company’s registered office at 19 Hardy Street South Perth W.A. 6151 or at [www.kasbahresources.com](http://www.kasbahresources.com).

**2. BASIS OF PREPARATION**

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the Group as the full financial report.

The half-year report should be read in conjunction with the Annual Financial Report of Kasbah Resources Limited as at 30 June 2008. It is also recommended the half-year report be considered together with any public announcements made by Kasbah Resources Limited during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

**Basis of Accounting and statement of compliance**

The consolidated interim financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and applicable Accounting Standards including AASB 134 “*Interim Financial Reporting*”. The interim financial statements were approved by the Board of Directors on 20 February 2009. The accounting policies applied by the Group in this interim financial report are consistent with the financial report for the year ended 30 June 2008. Hence this report should be read in conjunction with the annual report for the year ended 30 June 2008 and the corresponding half year.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**3. SIGNIFICANT ACCOUNTING POLICIES**

**Exploration and Development Expenditure**

Exploration, evaluation and development expenditure relating to the initial acquisition of an area of interest is accumulated at cost. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward initial acquisition costs in relation to that area of interest. The ultimate recoverability of the carrying amount will depend upon the successful exploitation of the area of interest.

The Group holds exploration properties both under option and direct title. While the Group hold properties under option it is a requirement that all ongoing exploration, evaluation and development expenditure on areas of interest is expensed as incurred, regardless of the potential to develop the property.

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.

**4. DIVIDENDS PAID OR PROVIDED FOR**

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

**5. SUBSEQUENT EVENTS AFTER BALANCE DATE**

There have been no significant events occurring after balance date requiring disclosure.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**6. SEGMENT INFORMATION**

The Company has two geographical areas in which it operates, being Australia and Morocco. The Company operates in only one business segment, mineral exploration.

2008	Australia	Morocco	Unallocated	Total
Segment Revenue				
Other Revenue	-	-	170,392	170,392
Total Segment Revenue	-	-	170,392	170,392
Segment Result	(1,835,005)	(488,313)	-	(2,323,318)
Unallocated Revenue less Unallocated Expenses	-	-	170,392	170,392
Profit Before Tax	(1,835,005)	(488,313)	170,392	(2,152,926)
Segment Assets	1,533,882	503,715	-	2,037,597
Unallocated Assets	-	-	4,806,420	4,806,420
Total Asset	1,533,882	503,715	4,806,420	6,844,017
Segment Liabilities	1,112,491	12,029	-	1,124,520
Unallocated Liabilities	-	-	-	-
Total Liabilities	1,112,491	12,029	-	1,124,520
Other segment information				
Acquisitions of property, plant and equipment	-	23,066	-	23,066
Unallocated	-	-	-	-
Total Acquisitions	-	23,066	-	23,066
Depreciation and Amortisation	28,672	29,550	-	58,222
Unallocated	-	-	-	-
Total Depreciation and Amortisation	28,672	29,550	-	58,222

**KASBAH RESOURCES LIMITED**

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**SEGMENT INFORMATION (continued)**

2007	Australia	Morocco	Unallocated	Total \$
Segment Revenue				
Other Revenue	-	-	316,963	316,963
Total Segment Revenue	-	-	316,963	316,963
Segment Result	(1,573,281)	(429,865)		(2,003,146)
Unallocated Revenue less Unallocated Expenses	-	-	316,963	316,963
Profit Before Tax	(1,256,318)	(429,865)	-	(1,686,183)
Segment Assets	1,538,714	194,561	-	1,733,275
Unallocated Assets	-	-	8,767,360	8,767,360
Total Asset	1,538,714	194,561	8,767,360	10,500,635
Segment Liabilities	1,075,038	-	-	1,075,038
Unallocated Liabilities	-	-	-	-
Total Liabilities	1,075,038	-	-	1,075,038
Other segment information				
Acquisitions of property, plant and equipment	786,713	-	-	786,713
Unallocated	-	-	-	-
Total Acquisitions	786,713	-	-	786,713
Depreciation and Amortisation	9,890	-	-	9,890
Unallocated	-	-	-	-
Total Depreciation and Amortisation	9,890	-	-	9,890

**7. Capital Commitments**

Capital expenditure commitments contracted to projects of \$879,367 (2007: \$879,367) represent the amount payable for the Tamlalt Gold Project in Morocco.

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**8. Share-based Payments**

The terms and condition of the share option programme are disclosed in the consolidated financial report as at and for the year ended 30 June 2008. On 16 December 2008 a further grant was made to a non-executive director after approval had been received at the Company's annual general meeting.

The terms and conditions of the grant made during the six months are as follows:

Grant Date	Number of Options	Vesting Conditions	Contractual life of options
16 December 2008	1,125,000	<ul style="list-style-type: none"> <li>• 33.3% exercisable as from the date of issue</li> <li>• 33.3% exercisable after 1 July 2009</li> <li>• 33.4% exercisable after 1 July 2010</li> </ul>	15 November 2011

Fair value of share options and assumptions;

Fair value at grant date	\$0.0065
Share price	\$0.03
Exercise price	\$0.25
Expected volatility	100%
Expiry date	15 November 2011
Expected dividends	Nil
Risk free interest rate	3.0%

KASBAH RESOURCES LIMITED

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**9. Non-Current assets – Property, plant and equipment**

	December 2008	June 2008
	\$	\$
Plant and equipment – at cost	262,426	251,862
Accumulated depreciation	<u>(65,523)</u>	<u>(38,030)</u>
Total Plant and equipment	<u>196,903</u>	<u>213,832</u>
Motor Vehicles at cost	114,897	114,897
Accumulated depreciation	<u>(31,801)</u>	<u>(12,493)</u>
Total Motor Vehicles	<u>83,096</u>	<u>102,405</u>
Computer software – at cost	58,475	58,475
Accumulated amortisation	<u>(30,633)</u>	<u>(19,213)</u>
Total Computer software	<u>27,842</u>	<u>39,262</u>
<b>Total Property Plant and Equipment</b>	<b><u>307,841</u></b>	<b><u>355,499</u></b>



**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

**10. Non-Current assets – Exploration and Evaluation assets**

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

	December 2008 \$	June 2008 \$
Exploration brought forward	1,406,685	-
Expenditure in year	-	1,406,685
Expenditure written off during the year	-	-
Expenditure carried forward	<u>1,406,685</u>	<u>1,406,685</u>

**11. Contingent Liabilities and Contingent Assets**

Should the Group proceed to production on any of its projects it will be required to pay a 3% Net Smelter Royalty to the Moroccan government.

**12. Post Balance Date Events**

There are no subsequent events notes after balance date.



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

We have reviewed the accompanying half-year financial report of Kasbah Resources Ltd, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

### *Directors' Responsibility for the Half-Year Financial Report*

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year 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 control relevant to the preparation and fair presentation of the half-year 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.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kasbah Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

BDO Kendalls  
BM Veigh

**BG McVeigh**

Director

Dated this 25<sup>th</sup> February 2009  
Perth, Western Australia



BDO Kendalls

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ABN 79 112 284 787

25th February 2009

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

Dear Sirs,

**DECLARATION OF INDEPENDENCE BY BRAD MCVEIGH TO THE DIRECTORS OF KASBAH RESOURCES LTD**

As lead auditor for the review of Kasbah Resources Ltd for the half-year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Kasbah Resources Ltd and the entities it controlled during the period.

**Brad McVeigh**

Director

**BDO Kendalls Audit & Assurance (WA) Pty Ltd**

Dated this 25<sup>th</sup> day of February 2009  
Perth, Western Australia