

KASBAH RESOURCES LIMITED
ABN 78 116 931 705

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2007

KASBAH RESOURCES LIMITED

CORPORATE DIRECTORY

Directors

Graeme Walker (Non-Executive Chairman)
Wayne Bramwell (Managing Director)
Peter Hepburn-Brown (Technical Director)
Rod Marston (Non-Executive Director)
Robert Weinberg (Non-Executive Director)

Company Secretary

Peter Youd

Registered and Principal Office

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Facsimile: +618 9463 6652
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Share Register

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International: +61 8 9323 2000
Facsimile: +61 8 9323 2033

Stock Exchange Listing

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

ASX Code

KAS

Solicitors

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

BDO Kendalls Audit and Assurance
(WA) Pty Ltd
128 Hay Street
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KASBAH RESOURCES LIMITED

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AASB 134 (Report to be read in conjunction with the financial report for the year ended 30 June 2007)

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 2007. There are no comparative figures for 31 December 2006 as the Company listed on the ASX in April 2007.

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)

Wayne Bramwell (Managing Director)

Peter Hepburn-Brown (Technical Director)

Rod Marston (Non-Executive Director)

Robert Weinberg (Non-Executive Director)

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 2007 was \$1,686,181 after writing off exploration costs of \$1,017,647 and allowing for non-cash costs of \$385,170 for Option based payment expense. As disclosed in Note 1 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 2007 the Group undertook the following:

- ❑ Completed the establishment of its infrastructure at the Achmmach site in Morocco.
- ❑ Commenced Phase 1 drilling to test for near surface, possibly pittable, tin mineralisation at the Achmmach Tin Project. This phase of drilling is due for completion in the March 2008 quarter.
- ❑ Completed bulk sampling of the hard rock veins at El Karit Tin Project.
- ❑ Completed the acquisition of the Tamlalt Gold Project in southern Morocco.

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 14 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, 13 February 2008

KASBAH RESOURCES LIMITED

DIRECTORS' DECLARATION

The directors of Kasbah Resources Limited declare that:

The attached condensed financial statements and notes thereto are in accordance with the Corporations Act 2001, including:

- (i) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations: and
- (ii) giving a true and fair view of the Company's financial position as at 31 December 2007 and of its performance for the half year ended on that date.

In the Directors opinion and as a result of the matters disclosed in Note 1, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Wayne Bramwell
Managing Director

South Perth, 13 February 2008

KASBAH RESOURCES LIMITED

**CONDENSED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Six Months Ended 31 December 2007 \$
Revenue from continuing operations	316,963
Expenses from continuing operations	
Administration costs	590,437
Options expensed	385,170
Depreciation	3,272
Amortisation	6,618
Exploration costs written off	1,017,649
Loss before income tax expense from continuing operations	(1,686,183)
Income tax expense	-
Loss for the half year attributable to members of Kasbah Resources Limited	(1,686,183)
Basic loss per share (cents per share)	1.6
Diluted loss per share (cents per share)	N.A.

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

KASBAH RESOURCES LIMITED

**CONDENSED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	Consolidated 31 December 2007 \$	30 June 2007 \$	
			Note
Current Assets			
Cash and cash equivalents	8,767,360	10,862,724	
Trade and other receivables	19,832	47,839	
Other current assets	-	24,558	
Total Current Assets	8,787,192	10,935,121	
Non-current Assets			
Property, plant and equipment	317,843	57,253	
Exploration & Evaluation Assets	1,395,600	-	
Total Non-current Assets	1,713,443	57,253	
TOTAL ASSETS	10,500,635	10,992,374	
Current Liabilities			
Trade and other payables	488,792	265,764	
Total Current Liabilities	488,792	265,764	
Non-current Liabilities			
Trade and other payables	586,246	-	
Total Non-current Liabilities	586,246	-	
TOTAL LIABILITIES	1,075,038	265,764	
NET ASSETS	9,425,597	10,726,610	
EQUITY			
Issued Capital	12,945,200	12,945,200	
Option Reserve	1,489,779	1,104,609	
Accumulated losses	(5,009,382)	(3,323,199)	
TOTAL EQUITY	9,425,597	10,726,610	

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

KASBAH RESOURCES LIMITED

**CONDENSED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Issued Share Capital	Accumulated (Losses)	Option Reserve	Total
	\$	\$	\$	\$
Balance as at 1 July 2007	12,945,200	(3,323,199)	1,104,609	10,726,610
Loss for the period	-	(1,686,183)	-	(1,686,183)
Total Recognised income and expense for the year	-	(1,686,183)	-	(1,686,183)
Share based payments	-	-	385,170	385,170
Balance as at 31 December 2007	12,945,200	(5,009,382)	1,489,779	9,425,597

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

KASBAH RESOURCES LIMITED

**CONDENSED CASHFLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Six Months Ended 31 December 2007 \$
Cash flows from operating activities	
Payments to suppliers and employees, inclusive of GST	(607,965)
Payments for exploration and evaluation	(1,017,649)
Interest received	316,963
Net cash outflows from operating activities	<u>(1,308,651)</u>
Cash flows from investing activities	
Payments for mining assets	(516,233)
Payments for plant and equipment	(270,480)
Net cash outflow from investing activities	<u>(786,713)</u>
Cash flows from financing activities	
Proceeds from issue of shares	-
Share issue expenses	-
Net cash inflow from financing activities	<u>-</u>
Net (decrease) / increase in cash held	(2,095,364)
Cash and cash equivalents at the beginning of the half year	10,862,724
Cash and cash equivalents at the end of the half year	<u><u>8,767,360</u></u>

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

**CONDENSED NOTES TO THE INTERIM FINANCIAL
STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

1. REPORTING ENTITY

Kasbah Resources (“the Group”) is a company domiciled in Australia and is listed on the Australian Securities Exchange.

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 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.

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 Company 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 2007. It is also recommended that the half-year report be considered together with any public announcements made by Kasbah Resources Limited during the half-year ended 31 December 2007 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

KASBAH RESOURCES LIMITED

Basis of Accounting and statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The interim financial statements were approved by the Board of Directors on 12 March 2008. The accounting policies applied by the Group in this interim financial report are consistent with the financial report for the year ended 30 June 2007. Hence this report should be read in conjunction with the annual report for the year ended 30 June 2007 and the corresponding half year.

Comparatives

There are no comparative figures for 31 December 2006 as the Company did not have reviewed comparatives for this period.

3. DIVIDENDS PAID OR PROVIDED FOR

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

4. SUBSEQUENT EVENTS AFTER BALANCE DATE

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

5. SEGMENT INFORMATION

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

31 December 2007

	Australia \$	Morocco \$	Total \$
Segment Revenue			
Other Revenue	-	-	-
Total Segment Revenue	-	-	-
Segment Result	(1,573,281)	(429,864)	(2,003,145)
Unallocated Revenue less	316,963	-	316,963
Unallocated Expenses			
Profit Before Tax	(1,256,318)	(429,864)	(1,686,182)

KASBAH RESOURCES LIMITED

6. CONTINGENT LIABILITIES

Capital and Leasing Commitments

Non Cancellable Operating Leases contracted for but not capitalised in the Financial Statements.

31 December
2007
\$

(a) Non Cancellable Operating Leases contracted for but not capitalised in the Financial Statements.

Office equipment leases due within one year	9,834
Office equipment leases due later than one year but later than five years	13,112
Office equipment leases due later than five years	-
Total	<u>22,946</u>



13 March 2008

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

Dear Sirs

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

As lead auditor for the review of Kasbah Resources Limited for the half-year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

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

BG McVeigh
Director

BDO Kendalls Audit & Assurance (WA) Pty Ltd
Perth, Western Australia

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

We have reviewed the accompanying half-year financial report of Kasbah Resources Limited, which comprises the condensed balance sheet as at 31 December 2007, and the condensed income statement, condensed statement of changes in equity and condensed 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 in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

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 designing, implementing 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 an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Kasbah Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 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
BG McVeigh

BG McVeigh
Director

Perth, Western Australia
Dated this 13th day of March 2008