
KASBAH RESOURCES LIMITED

ACN 116 931 705

NOTICE OF ANNUAL GENERAL MEETING

TIME: 10:00 am (WST)

DATE: 28 November 2008

PLACE: The Perth Zoo Conference Centre
20 Labouchere Road
SOUTH PERTH WA 6151

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9463 6651.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 10:00 am (WST) on 28 November 2008 at:

The Perth Zoo Conference Centre
20 Labouchere Road
SOUTH PERTH WA 6151

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to the Company's share registry, Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia
- (b) hand to Computershare Investor Services Pty Ltd, Level 2, 45 St George's Terrace, Perth, WA, 6000; or
- (c) facsimile to Computershare Investor Services Pty Ltd on facsimile number (within Australia) 1800 783 447 or (outside Australia) +61 3 9473 2555,

so that it is received not later than 10:00 am (WST) on 26 November 2008.

Proxy Forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders will be held at 10:00 am (WST) on 28 November 2008 at The Perth Zoo Conference Centre, 20 Labouchere Road, South Perth, Western Australia.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Annual General Meeting are those who are registered Shareholders of the Company at 10:00 am (WST) on 26 November 2008.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2008 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2008.”

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – ROBERT WEINBERG

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.2 of the Constitution and for all other purposes, Robert Weinberg, a Director who retires by rotation, and being eligible, is re-elected as a Director.”

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – RODNEY MARSTON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of clause 13.2 of the Constitution and for all other purposes, Rodney Marston, a Director who retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 4 – ISSUE OF DIRECTOR OPTIONS

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, for the purposes of Section 208 of the Corporations Act, ASX Listing Rule 10.11 and for all other purposes, approval is given for the Directors to allot and issue 1,125,000 Director Options to Peter Hepburn-Brown (or his nominee) on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Hepburn-Brown (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 13TH OCTOBER 2008

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'Peter Youd', written in a cursive style.

**PETER YOUND
KASBAH RESOURCES LIMITED
COMPANY SECRETARY**

Voting Exclusion Note:

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the Annual General Meeting to be held at 10:00 am (WST) on 28 November 2008 at The Perth Zoo Conference Centre, 20 Labouchere Road, South Perth, Western Australia.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2008 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in reducing the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at www.kasbahresources.com/cms/.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2008.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

3. RESOLUTIONS 2 AND 3 – RE-ELECTION OF DIRECTORS

3.1 General

Clause 13.2 of the Constitution requires that if the Company has three or more Directors, one third (or the number nearest one-third) of those Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Company currently has five Directors and accordingly two must retire.

A Director who retires by rotation under clause 13.2 of the Constitution is eligible for re-election.

Robert Weinberg and Rod Marston retire by rotation and both seek re-election.

4. RESOLUTION 4 – ISSUE OF DIRECTOR OPTIONS

4.1 General

The Company has agreed, subject to obtaining Shareholder approval, to allot and issue a total of 1,125,000 Director Options to Mr Peter Hepburn-Brown on the terms and conditions set out in Schedule 1.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

The grant of the Director Options to Mr Hepburn-Brown requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as a Director, Mr Hepburn-Brown is a related party of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of Director Options to the Related Parties.

4.2 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed grant of Director Options:

- (a) the related party is Mr Hepburn-Brown and he is a related party by virtue of being a Director;
- (b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to Mr Hepburn-Brown is 1,125,000 Director Options;
- (c) the Director Options will be granted to Mr Hepburn-Brown no later than 1 month after the date of the Annual General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules)

and it is anticipated the Director Options will be issued on one and the same date;

- (d) the Director Options will be granted for nil cash consideration and accordingly no funds will be raised;
- (e) the terms and conditions of the Director Options are set out in Schedule 1;
- (f) the value of the Director Options and the pricing methodology is set out in Schedule 2;
- (g) the relevant interests of Mr Hepburn-Brown in the Company's securities are set out below:

Related Party	Shares	Options
Peter Hepburn-Brown	4,800,000 ¹	4,000,000 ²

¹ 2,600,000 Shares and 2,000,000 Performance Shares are held by Nakuru Resources Pty Ltd, a company of which Mr Hepburn-Brown is a director and controlling shareholder. 200,000 Shares are held by Eldoret Resources Pty Ltd, a company of which Mr Hepburn-Brown is a director and shareholder.

² Exerciseable at \$0.25 each on or before 15 November 2001.

- (h) as disclosed on page 24 of the Company's annual report, the remuneration and emoluments from the Company to Mr Hepburn-Brown for both the current financial year and previous financial year are set out below:

Related Party	Year	Cash Salary & Fees (\$)	Super-annuation (\$)	Share based payments (\$)	Total(\$)
Peter Hepburn-Brown	2007	250,729	4,500	273,369	528,598
	2008	127,042	11,164	273,369	411,575

- (i) if the Director Options granted to Mr Hepburn-Brown are exercised, a total of 1,125,000 Shares would be allotted and issued. This will increase the number of Shares on issue from 88,500,003 to 89,625,003 (assuming that no other Options are exercised, no Performance Shares are converted into Shares and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Peter Hepburn-Brown	88,500,003	1,125,000	89,625,003	1.26%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If,

at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company;

- (j) the trading history of the Shares on ASX in the 12 months before the date of this Notice of Annual General Meeting is set out below:

	Price	Date
Highest	39 cents	1 November 2007, 2 November 2007
Lowest	8.5 cents	7 October 2008, 8 October 2008 9October 2008,
Last	8.5 cents	9 October 2008

- (k) the primary purpose of the grant of Director Options to Mr Hepburn-Brown is to provide options to him in lieu of Director's fees, thereby eliminating the cash cost to the Company of such fees. Mr Hepburn-Brown became a non-executive Director of the Company with effect from 1 June 2008, having previously been an executive Director. All of the non-executive Directors of the Company, including Mr Hepburn-Brown, have elected to take their Directors' fees in the form of options. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- (l) the Board acknowledges the grant of Director Options to Mr Hepburn-Brown is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Mr Hepburn-Brown reasonable in the circumstances, given the necessity to attract the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves; and
- (m) Mr Hepburn-Brown declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution. The other Directors, who do not have a material interest in the outcome of Resolution 4, recommend that Shareholders vote in favour of Resolution 4. The Board (other than Mr Hepburn-Brown) is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass the Resolution.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to Mr Hepburn-Brown as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to Mr Hepburn-Brown will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

5. ENQUIRIES

Shareholders are required to contact Peter Youd on (+ 61 8) 9463 6651 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

Annual General Meeting means the meeting convened by the Notice of Meeting.

Board means the current board of directors of the Company.

Company means Kasbah Resources Limited (ACN 116 931 705).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Director Option means an Option granted pursuant to Resolution 4 with the terms and conditions set out in Schedule 1.

Explanatory Statement means the explanatory statement accompanying the Notice of Meeting.

Notice of Meeting or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement.

Option means an option to acquire a Share.

Optionholder means a holder of an Option or Director Option as the context requires.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option entitles the holder, when exercised, to one fully paid ordinary share in the capital of the Company (**Share**).
- (b) Subject to paragraph (c), the Director Options are exercisable on or before 1 July 2011 (**Expiry Date**) on the following basis:
 - (i) 33.3% of the Director Options are exercisable as from the date of issue of the Director Options;
 - (ii) 33.3% of the Director Options are exercisable after 1 July 2009; and
 - (iii) 33.4% of the Director Options are exercisable after 1 July 2010,

PROVIDED THAT in the event the Optionholder's appointment is terminated in accordance with the Optionholder's appointment letter agreement with the Company, those Director Options which have not become exercisable in accordance with these terms shall automatically lapse.

- (c) In the event a shareholder acquires a relevant interest in 20% or more of voting shares following the Company's admission to ASX all Director Options (to the extent not already exercised or capable of exercise) shall vest and become capable of being exercised at any time up to the Expiry Date.
- (d) The exercise price for each Director Option shall be \$0.25 (**Exercise Price**).
- (e) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (f) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;

(Exercise Notice).

- (g) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (h) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (i) The Options are not transferable.
- (j) A Director Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Director Option can be exercised.

- (k) All Shares issued upon exercise of the Director Options will rank pari passu in all respects with the Company's then issued Shares. The Company will apply to ASX for quotation of any Shares issued upon exercise of the Director Options.
- (l) There is no current intention of the Company to apply for quotation of the Director Options on ASX.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of the proposed issue notice of the new issue will be given to Optionholders at least seven (7) business days before the record date. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event of any reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company prior to the Expiry Date, all rights of the Optionholders will be varied in accordance with the ASX Listing Rules and the Corporations Act.

SCHEDULE 2 – VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to Mr Hepburn-Brown pursuant to Resolution 4 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:			
Valuation date	18 September 2008		
Market price of Shares	10 cents		
Exercise price	\$0.25		
Expiry date	1 July 2011		
Risk free interest rate	6.87%		
Volatility	80%	90%	100%
Indicative value per Director Option	0.0302 cents	0.0367 cents	0.0429 cents
Total Value of Director Options	\$34,013	\$41,235	\$48,231

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

Kasbah Resources Limited

ABN 78 116 931 705

000001 000 KAS
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For all enquiries call:

(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000

Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

www.investorvote.com.au



Cast your proxy vote



Access the annual report



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.



For your vote to be effective it must be received by 10.00am (WST) Wednesday 26 November 2008

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Kasbah Resources Limited hereby appoint

the Chairman of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of Kasbah Resources Limited to be held at The Perth Zoo Conference Centre, 20 Labouchere Road, South Perth, Western Australia, 6151 on Friday, 28 November 2008 at 10.00am (WST) and at any adjournment of that meeting.

Important for Item 4: If the Chairman of the Meeting is your proxy and you have not directed him/her how to vote on Item 4 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Item 4 and your votes will not be counted in computing the required majority if a poll is called on this Item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 4 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if he/she has an interest in the outcome of that Item and that votes cast by him/her, other than as proxy holder, would be disregarded because of that interest.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Director - Robert Weinberg	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Re-election of Director - Rodney Marston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Issue of Director Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date ____/____/____