

KASBAH RESOURCES LIMITED
ABN 78 116 931 705

ENTITLEMENT ISSUE PROSPECTUS

For a pro rata non-renounceable entitlement issue of one (1) new Share for every one (1) Share held by Shareholders at an issue price of 3 cents per Share to raise approximately \$2,655,000 (**Offer**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus with the ASIC	28 May 2009
Notice sent to Shareholders	2 June 2009
Ex Date (the last day for trading on the ASX for a Shareholder to be entitled to participate in the Offer)	3 June 2009
Record Date for determining Shareholder entitlements	10 June 2009
Prospectus despatched to Shareholders	12 June 2009
Closing Date of Offer	26 June 2009
Shares quoted on a deferred settlement basis	29 June 2009
Notify the ASX of under-subscriptions	1 July 2009
Despatch date/Shares entered into Shareholders' security holdings	6 July 2009

* These dates are determined based upon the current expectations of the Directors and may be changed with 6 Business Days prior notice.

IMPORTANT NOTES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 28 May 2009 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe, any of these restrictions. Failure to comply with these restrictions may violate securities laws. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

ELECTRONIC PROSPECTUS

Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

RISK FACTORS

Prospective investors in the Company should be aware that subscribing for Shares the subject of this Prospectus involves a number of specific risks, including exploration success, commodity prices and exchange rates, future funding and market conditions.

Details of these specific risks and other general risks are set out in Section 6 of this Prospectus and investors are urged to consider those risks carefully (and, if necessary, consult their professional adviser) before deciding whether to invest in the Company.

The risk factors set out in Section 6 of this Prospectus, and other general risks applicable to all investments in listed securities not specifically referred to, may in the future affect the value of the Shares. Accordingly, an investment in the Company should be considered highly speculative.

2. CORPORATE DIRECTORY

Directors

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

Company Secretary

Peter Youd

Registered Office

19 Hardy Street
SOUTH PERTH WA 6151

Telephone: +61 8 9463 6651
Facsimile: +61 8 9463 6652

Share Registry

Computershare Investor Services Pty Ltd
Level 2
45 St George's Terrace
PERTH WA 6000

Postal address:
Locked Bag 2508
PERTH WA 6001

Telephone: +61 8 9323 2000
Telephone within Australia: 1300 557 010
Facsimile: +61 8 9323 2033

Solicitors

In Australia

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Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Telephone: +61 8 9321 4000
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Oulamine Law Group
30 rue Abou Faid Al AMsri
Quartier Gauthier
Casablanca
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Telephone: + 212 522 228 285
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Auditor

BDO Kendalls Audit & Assurance (WA) Pty
Ltd
128 Hay Street
Subiaco WA 6008

Telephone: +61 8 9380 8400
Facsimile: + 61 8 9380 8499

* This party has been included for information purposes only and has not been involved in the preparation of this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company offers for subscription approximately 88,500,000 new Shares pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) new Share for every one (1) Share held on the Record Date at an issue price of 3 cents per Share.

Based on the capital structure of the Company (and assuming no existing Options are exercised prior to the Record Date), the maximum number of Shares to be issued pursuant to the Offer is approximately 88,500,000. The Offer will raise approximately \$2,655,000 before costs. The purpose of the Offer and the use of funds raised are set out in Section 4 of this Prospectus.

Holders of existing Options will not be entitled to participate in the Offer. The Company currently has 21,270,000 Options on issue as at the date of this Prospectus, which Options may be exercised by the Option holder prior to the Record Date in order to participate in the Offer.

3.2 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

- (a) if you wish to accept your Entitlement in full, either:
 - (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided and attach your cheque for the amount indicated on that relevant Entitlement and Acceptance Form; or
 - (ii) pay by BPAY® by following the instructions below and on the Entitlement and Acceptance Form; or
- (b) if you only wish to accept part of your Entitlement, either:
 - (i) fill in the number of Shares you wish to accept in the space provided on the Entitlement and Acceptance Form and attach your cheque for the appropriate application monies (at 3 cents per Share); or
 - (ii) pay by BPAY® by following the instructions below and on the Entitlement and Acceptance Form; or
- (c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

Payment by Cheque/Bank Draft

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "Kasbah Resources Limited – Share Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5pm WST on the Closing Date.

Payment by BPAY®

For payment by BPAY®, please follow the instructions on the Entitlement and Acceptance Form. You can only make a payment via BPAY® if you are the holder of an account with an Australian financial institution that supports BPAY® transactions. Please note that should you choose to pay by BPAY®:

- (a) you do not need to submit the Entitlement and Acceptance Form but are taken to have made the declarations on that Entitlement and Acceptance Form; and
- (b) if you do not pay for your Entitlement in full, you are deemed to have taken up your Entitlement in respect of such whole number of new Shares which is covered in full by your application monies.

It is your responsibility to ensure that your BPAY® payment is received by the share registry by no later than 4.00pm (WST) on the Closing Date. You should be aware that your financial institution may implement earlier cut-off times with regards to electronic payment and you should therefore take this into consideration when making payment. Any application monies received for more than your final allocation of new Shares and additional new Shares (only where the amount is A\$1.00 or greater) will be refunded on or around 8 July 2009. No interest will be paid on any application monies received or refunded.

3.3 Minimum Subscription

The minimum subscription in respect of this Offer is \$2,000,000.

No Shares will be allotted or issued until the minimum subscription has been received. If the minimum subscription is not achieved within 4 months after the date of issue of this Prospectus, the Company will either repay the Application monies to the Applicants or issue a supplementary prospectus or replacement prospectus and allow Applicants one month to withdraw their Application and be repaid their Application monies.

3.4 Underwriting

The Offer is not underwritten.

3.5 Shortfall

If you do not wish to take up any part of your Entitlement you are not required to take any action. That part of your Entitlement not taken up will form part of the Shortfall. Shareholders who wish to apply for Shares above their Entitlement can

complete the Shortfall Application Form and return it, together with a cheque for the value of those Shortfall Shares (at 3 cents per Share) to the Company.

The Company reserves the right to allot to an applicant a lesser number of Shortfall Shares than the number for which the applicant applies, or to reject an application, or to not proceed with placing the Shortfall. Accordingly, Shareholders who subscribe for Shortfall Shares are not guaranteed to receive any or all of the Shares for which they have subscribed under the Shortfall Offer.

The offer of the Shortfall is a separate offer pursuant to this Prospectus and will remain open for 3 months following the Closing Date or such other date as the Directors may determine in their absolute discretion. The issue price of any Shares offered pursuant to the Shortfall Offer shall be 3 cents, being the price at which the Entitlement has been offered to Shareholders pursuant to this Prospectus. The Shortfall shall be placed at the discretion of the Company. The allotment of the Shortfall will occur on a progressive basis at the discretion of the Board.

3.6 Commissions Payable

The Company has entered into firm commitment arrangements with non-related third parties pursuant to which such third parties have agreed to accept a firm allocation of Shares forming their Entitlement and/or the Shortfall (**Firm Allocation**) in return for the Company paying a commission of 4% (inclusive of GST) of the value of the Shares comprising their Firm Allocation. Payments will be subject to the receipt of a proper tax invoice by the Company.

3.7 Australian Securities Exchange Listing

Application for official quotation by the ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from the ASX before the expiration of 3 months after the date of issue of the Prospectus, (or such period as modified by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact the ASX may grant official quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.8 Allotment of Shares

Shares issued pursuant to the Offer will be allotted as soon as practicable after the Closing Date. The Company will allot the Shares on the basis of a Shareholder's Entitlement. Where the number of Shares issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

3.9 Overseas Shareholders

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register or qualify these Shares the subject of this Prospectus or otherwise permit a public offer of the Shares the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of applicants outside Australia to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Entitlement and Acceptance Form will be taken by the Company to constitute a representation and warranty by the Applicant they have obtained all relevant approvals.

3.10 Taxation Implications

The Directors do not consider it is appropriate to give Applicants advice regarding the taxation consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Shares offered pursuant to this Prospectus.

3.11 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company will apply to the ASX to participate in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.12 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use this information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of the Offer is to raise approximately \$2,655,000 (before expenses). The proceeds of the Offer are planned to be used in accordance with the table set out below:

Proceeds of the Offer	Minimum Subscription (\$)	Maximum Subscription (\$)
The following exploration activities on the Company's Achmmach Project in Morocco:		
a) Drilling program	1,500,000	1,990,000
b) Assay	220,000	290,000
c) General exploration expenditure	176,840	244,207
Expenses of the Offer ¹	103,160	130,793
Total	2,000,000	2,655,000

The minimum subscription to the Offer is \$2,000,000. If more than the minimum subscription is received, additional funds of up to \$655,000 (being the difference between the minimum and maximum subscriptions) will be applied as follows and in order of priority:

Allocation	\$
The following exploration activities on the Company's Achmmach Project in Morocco:	
a) Drilling program	490,000
b) Assay	70,000
c) General exploration expenditure	67,367
Total	627,367
Increased expenses of Offer ¹	27,633
Total	655,000

Notes:

1. Refer to Section 7.5 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.2 Effect of the Offer on the Pro Forma Consolidated Balance Sheet

The principal effect of the Offer will be to:

- (a) increase the cash reserves by approximately \$2.5 million immediately after completion of the Offer after deducting the estimated expenses of the Offer; and
- (b) increase the number of Shares on issue from 88,500,000 to approximately 177,000,000 Shares following completion of the Offer.

In the event that the funds raised from the Offer are lower than the maximum subscription, the pro-forma cash balance will decrease to the extent of the shortfall (adjusted for reduced expenses of the Offer).

4.3 Consolidated Balance Sheet

The interim reviewed Balance Sheet as at 31 December 2008 and the unaudited Pro Forma Balance Sheet as at 31 December 2008 shown on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption all Shares pursuant to the Offer in this Prospectus are issued.

The Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company as noted below. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

**Balance Sheet (interim reviewed) and Pro Forma Balance Sheet (unaudited)
as at 31 December 2008**

	Note	Interim Reviewed 31 December 2008 Actual \$	Unaudited 31 December 2008 Pro-forma \$
Current assets			
Cash and cash equivalents	1	3,690,430	6,214,637
Other financial assets		1,115,990	1,115,990
Trade and other receivables		9,505	9,505
Prepayment and Deposits		41,919	41,919
Total current assets		4,857,844	7,382,051
Non-current assets			
Plant and equipment		307,841	307,841
Other receivables		197,746	197,746
Exploration and evaluation assets		1,406,685	1,406,685
Total non-current assets		1,912,272	1,912,272
Total assets		6,770,116	9,294,323
Current liabilities			
Trade and other payables		1,124,520	1,124,520
Total current liabilities		1,124,520	1,124,520
Total liabilities		1,124,520	1,124,520
Total liabilities		1,124,520	1,124,520
Net assets		5,645,596	8,169,803
Equity			
Issued capital	2	12,945,200	15,469,407
Reserves		2,370,943	2,370,943
Accumulated Loss		(9,670,547)	(9,670,547)
Total Equity		5,645,596	8,169,803

NOTES

	31 December 2008
	Pro-forma
	\$
	<hr/>
1. Cash and cash equivalents	
Cash as at 31 December 2008 (interim reviewed)	3,690,430
Gross proceeds of Offer	2,655,000
Expenses of the Offer	(130,793)
	<hr/>
Cash and cash equivalents - pro-forma	6,214,637
	<hr/>
2. Issued capital	
<i>Value of equities on issue</i>	
Balance as at 31 December 2008	12,945,200
Gross proceeds of the Offer	2,655,000
Expenses of the Offer	(130,793)
	<hr/>
Value of equity - pro-forma	15,469,407
	<hr/>

4.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares

	Number
Shares on issue at date of Prospectus	88,500,003
Shares offered pursuant to the Offer	88,500,003
Total Shares on issue after completion of the Offer	177,000,006

Other Unquoted Securities

Performance Shares	Number
Performance Shares ¹	15,000,003
Options	
Director A options exercisable at \$0.25 on or before 15 November 2011	5,625,000
Director B options exercisable at \$0.20 on or before 15 May 2011	1,450,000
Director C options exercisable at \$0.25 on or before 15 November 2011	1,125,000
Management options exercisable at \$0.25 on or before 15 November 2011	9,000,000
Management A options exercisable at \$0.35 on or before 1 May 2013	1,000,000
Management B options exercisable at \$0.25 on or before 12 July 2013	1,000,000
Argonaut Investment options exercisable at \$0.30 on or before 30 June 2010	2,070,000
Total Options on issue after completion of the Offer	21,270,000

1. These Performance Shares will convert to Shares upon the Company exercising its exclusive option to acquire 100% of either the Achmmach Project or El Karit Project on or before 14 February 2010. Holders of Performance Shares are not entitled to participate in the Offer.

5. RIGHTS AND LIABILITIES ATTACHING TO THE SHARES

5.1 Terms of Shares

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, independent legal advice should be sought.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

5.2 General Meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

5.3 Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- (a) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- (b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- (c) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for each Share held, but in respect of partly paid shares shall have a fraction of a vote equivalent to the proportion which the amount paid up bears to the total issue price for the share.

5.4 Dividend Rights

The Directors may from time to time declare and pay or credit a dividend in accordance with the Corporations Act. Subject to any special right as to dividends attaching to a share, all dividends will be declared and paid according to the proportion which the amount paid on the Share is to the total amount payable in respect of the Shares (but any amount paid during the period in respect of which a dividend is declared only entitles the Shareholder to an apportioned amount of that dividend as from the date of payment). The Directors may from time to time pay or credit to the Shareholders such interim dividends as they may determine. No dividends shall be payable except out of profits. A determination by the Directors as to the profits of the Company shall be conclusive. No dividend shall carry interest as against the Company.

The Directors may from time to time grant to Shareholders or any class of shareholders the right to elect to reinvest cash dividends paid by the Company by subscribing for Shares in the Company on such terms and conditions as the Directors think fit. The Directors may, at their discretion, resolve in respect of any dividend which it is proposed to pay or to declare on any Shares of the Company, that holders of such Shares may elect to forgo their right to the whole or part of the proposed dividend and to receive instead an issue of Shares credited as fully paid to the extent and on the terms and conditions of the Constitution. The Directors may set aside out of the profits of the Company such amounts as they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

5.5 Winding-Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

5.6 Transfer of Shares

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act and the Listing Rules.

5.7 Future Increase in Capital

The allotment and issue of any new Shares is under the control of the Directors of the Company. Subject to restrictions on the issue or grant of securities contained in the Listing Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors may issue Shares as they shall, in their absolute discretion, determine.

5.8 Variation of Rights

Under Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of three quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6. RISK FACTORS

Applicants should consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares. Potential Applicants should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

Risks Specific to the Company

6.1 Title Risks

The Company currently has exclusive rights to acquire the Achmmach and El Karit projects. The Company may exercise each of these exclusive rights to acquire the Achmmach and El Karit projects by undertaking a positive feasibility study on each of them. If the results of the Achmmach or El Karit feasibility studies are negative, it is likely that ONHYM and Kasbah will take a reflection period of approximately 12 months to review the respective studies before deciding whether to exercise their rights to acquire each of the projects. Whilst the terms for the exercise of the exclusive rights for the Achmmach Project are known, the terms for the exercise of the exclusive right for the El Karit Project are still to be defined. There can be no guarantee the terms will be defined and agreed on an acceptable basis to the Company.

6.2 Tin Price Volatility

It is anticipated any revenues from mining will primarily be derived from the sale of tin. Consequently, any future earnings are likely to be closely related to the price of tin. Tin prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include the relatively small size of the tin industry, low barriers to entry, transparency of market structure, history of uncontrolled production programs and the majority of production occurring in countries with strong political influences on mining and production programs.

These factors may have an adverse effect on the Company's exploration, development and production activities, as well as its ability to fund those activities.

6.3 Sovereign Risk

The Company's assets are located in Morocco, which introduces both sovereign and Moroccan domestic risk to investors in the Shares. Investors should be aware country risk may affect the Company and its operations and assets in Morocco.

6.4 Currency Risk

Currency fluctuations will affect the cash flow the Company may realise from, or expend on, exploration, development and operations. International prices of various commodities are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian and Moroccan currencies, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar, the Australian dollar and

the Moroccan Dirham as determined in international markets. Fluctuations in exchange rates to which the Company are exposed will cause fluctuations in the potential income of the Company.

6.5 Reliance on Key Personnel

The success of the Company in part will depend on the ability of the Directors, the management team and other executive personnel (employed by the Company or its business partners) to develop the Company's project portfolio and enhance project value. Should one or more of the key personnel cease to be involved, for whatever reason, then the capability of the Company may be expected to be impaired pending a suitable replacement being identified and retained by the Company or its business partners.

6.6 Future Capital Needs and Funding

The Company anticipates it will be required to raise additional equity and/or debt capital to finance its future activities. Any additional equity funding will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities.

There can be no assurance the Company will be able to raise finance on acceptable terms or in a timely manner. Any inability to obtain finance may adversely affect the business and financial condition of the Company and, consequently, its performance. In these circumstances, the Company may be required to reduce the scope of its operations and scale back its exploration programs as the case may be.

Risks Specific to Mineral Exploration and Development Companies

6.7 Exploration Success and Feasibility Risks

Mineral exploration and development is speculative and involves significant degrees of risk. There is no guarantee exploration of the Company's tenements, or any other tenements it may acquire in the future, will lead to the discovery of mineral resources which can be economically exploited. Furthermore, feasibility studies on the potential development of operations to exploit any mineral resource which are delineated may not prove positive.

Exploration and feasibility activities may be delayed or disrupted by the availability of drilling rigs or other technical contractors, adverse weather conditions, difficulties in gaining access to the desired exploration sites, delays in approvals from authorities or technology providers or technical issues such as unexpected geological formations or process test work results.

6.8 Resource and Reserve Estimates

Mineral resource and reserve estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

Estimates of mineral resources which were reasonable when made may change significantly when new information from additional drilling and analysis becomes available. This may result in alterations to development and production plans which may, in turn, adversely affect operations.

The Company adheres to the JORC Code for the reporting of mineral resources. As such, its estimates of mineral resources are not based on any feasibility studies and do not imply in any way such mineral resources may be economically exploited.

6.9 Project Development and Operating Risks

The operations of the Company may be adversely affected by various factors, including failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in mining, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, delays due to government actions, infrastructure availability and unexpected shortages or increases in the costs of consumables, spare parts, labour, plant and equipment.

Having been incorporated on 31 October 2005, the Company has limited operating history. No assurances can be given the Company will achieve commercial viability through the successful exploration and/or mining of its project interests. Until the Company is able to realise value from its projects, it will incur ongoing operating losses.

6.10 Environmental Risks

The Company's projects are subject to relevant environmental legislation and will have varying degrees and types of potential impact on the natural environment. As with most exploration projects and mining operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Like most countries, Morocco, has laws and regulations regarding environmental matters, including disturbance, rehabilitation and the discharge of hazardous wastes and materials. It is the Company's intention to conduct its activities to the highest standard of environmental obligation, including compliance with all applicable environmental laws.

6.11 Native Title and Community Risks

Many countries have native title, community title/empowerment, or heritage legislation and regulations. Such legislation can impose certain requirements on mineral companies who undertake or plan to undertake various exploration, development or mining activities. If native title rights do exist, the ability of the Company to gain access to tenements (through obtaining consent of any relevant landowner) or to progress from the exploration phase to the development and mining phases of operations may be adversely affected.

No assurance can be given the Company will be able to explore or conduct mining activities within acceptable timeframes or on terms acceptable to it.

6.12 Commodity Price Volatility and Government Risks

Changes in the general economic climate in which the Company operates may adversely affect the financial performance of the Company and the value of its mineral assets. In particular, changes in the current and expected future price of energy and other commodities can change rapidly and significantly and this can have a substantial effect on the value of the Company's assets and the potential revenue and profits which might be earned from any successful development of those assets.

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price risks. Commodity prices fluctuate and are influenced by many factors affecting their demand and supply including global industrial production levels and economic sentiment, inflation and interest rates, industrial disputes, wars and other military activity, technological advancements, forward selling activities, government environmental policies, infrastructure investment, weather conditions and general exploration success.

Changes in government, monetary policies, taxation and other laws and regulations can also have a significant influence on the outlook for projects and companies and the actual and potential returns to investors.

6.13 Insurance

Insurance against all risks associated with mineral exploration is not always available or affordable. The Company intends to maintain insurance where it is considered appropriate for its needs. However, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive in the circumstances.

General Securities Risks

6.14 Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Further, share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (a) general economic outlook;
- (b) interest rates and inflation rates;
- (c) currency fluctuations;
- (d) changes in investor sentiment toward particular market sectors;
- (e) the demand for, and supply of, capital; and

(f) terrorism or other hostilities.

6.15 Market Conditions

The market price of the Company's securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. These factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Shares offered under the Prospectus. Shares carry no guarantee with respect to the payment of dividends, return of capital or the market value of those securities.

Potential investors should consider the investment in the Company to be speculative and should consult their professional advisers before deciding whether to apply for Shares.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms “transaction specific prospectuses” are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to the ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes it has complied with the general and specific requirements of the ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify the ASX of information about specified events or matters as they arise for the purpose of the ASX making information available to the stock market conducted by the ASX.

Information already in the public domain has not been reported in this Prospectus other than information which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the financial statements of the Company for the financial year ended 30 June 2008 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus;

- (ii) any half year financial statements of the Company lodged with the ASIC since the lodgement of the last financial statements for the year ended 30 June 2008 lodged with the ASIC before the issue of this Prospectus; and
- (iii) any documents used to notify the ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with the ASX since the lodgement of the 2008 audited financial statements:

Date	Description of Announcement
27/05/2009	Achmmach Option Extension
04/05/2009	Appendix 3Y – Change of Director’s Interest Notice
28/04/2009	Quarterly Activities Report
28/04/2009	Quarterly Cash Report
09/04/2009	Release from Escrow – Appendix 3B
26/02/2009	Half-Yearly Accounts
19/02/2009	Exploration Update – Hole AD028 – 38m @ 0.93% Tin
03/02/2009	Audio Broadcast – December Quarter
03/02/2009	Investor Presentation
29/01/2009	Quarterly Activities Report
29/01/2009	Quarterly Cash Report
18/12/2008	New Corporate Governance Policies
16/12/2008	Appendix 3B
10/12/2008	JORC Inferred Resources Tripled to 6Mt @0.9% Tin
28/11/2008	Confirmation of Resolutions Passed at Annual General Meeting
28/11/2008	Chairman’s Address to Annual General Meeting
19/11/2008	Investor Presentation

30/10/2008	Quarterly Activities Report
30/10/2008	Quarterly Cash Report
16/10/2008	Notice of Annual General Meeting/Proxy Form

The ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at the ASX during normal office hours.

The announcements are also available through the Company's website www.kasbahresources.com.

7.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' expected remuneration for the year ending 30 June 2009 (exclusive of superannuation) and their respective interests in securities of the Company at the date of this Prospectus are:

Name	Shares	Options	Performance Shares ⁸	Entitlement ¹	Remuneration (\$)
Graeme Walker	200,000 ³	3,325,000 ³	-	200,000	51,773 ²
Wayne Bramwell	4,629,501 ⁴	4,000,000 ⁴	4,000,001 ⁴	4,629,501	250,000
Peter Hepburn-Brown	2,800,000 ⁵	5,125,000 ⁵	2,000,000 ⁵	2,800,000	2,446 ²
Dr Rod Marston	660,000 ⁶	1,875,000 ⁶	-	660,000	51,743 ²
Dr Robert Weinberg	100,000 ⁷	1,875,000 ⁷	-	100,000	51,743 ²

Notes:

1. The current relevant interests of each Director may change if any Director elects to subscribe for his Entitlement under the Offer.
2. These amounts represent the value of the non-executive Directors' expected Options based payments for the year ended 30 June 2009. No cash payments will be made to the non-executive Directors as part of their remuneration for this period.
3. 200,000 Shares, 1,875,000 Director A Options exercisable at \$0.25 each on or before that date which is 5 years after the date of issue (subject to certain vesting conditions) and 1,450,000 Director B Options exercisable at \$0.20 each on or before that date which is 5 years after the date of issue are held by Reklaw Enterprises Pty Ltd as trustee for The Walker Superannuation Fund. Mr Walker holds a relevant interest in Reklaw Enterprises Pty Ltd and is a beneficiary of the superannuation fund.
4. 4,050,001 Shares, 4,000,000 Management Options exercisable at \$0.25 each on or before that date which is 5 years after the date of issue (subject to certain vesting conditions) and 4,000,000 Performance Shares are held by Wayne Bramwell as trustee for the Tarifa Investment Trust, a company in which Mr Bramwell is a director and holds a relevant interest. 579,500 Shares are held by Wayne Bramwell and Lisa Johnston as trustee for the Pareto Superannuation Fund. Mr Bramwell is a beneficiary of the Pareto Superannuation Fund.
5. 1,125,000 Director C Options exercisable at \$0.25 each on or before 11 November 2011 are held directly by Peter Hepburn-Brown. 2,600,000 Shares and 2,000,000 Performance Shares and 4,000,000 Management Options exercisable at \$0.25 each on or before that date which is 5 years after the date of issue (subject to certain vesting conditions) are held by Nakuru Resources Pty Ltd (a company of which Mr Hepburn-Brown is the sole shareholder and director), 200,000 Shares are held by Eldoret Resources Pty Ltd (a company of which Mr Hepburn-Brown is a shareholder and director) and 100,000 Shares are held by Deborah Hepburn-Brown, Mr Hepburn-Brown's wife.
6. 100,000 Shares and 1,875,000 Director A Options exercisable at \$0.25 each on or before that date which is 5 years after the date of issue (subject to certain vesting conditions) are held directly by Dr Marston. 480,000 Shares are held by Nattai Pty Ltd (a company in which Dr Marston is a director and holds a relevant interest) and 80,000 Shares are held by Aurex Pty Ltd (a company in which Dr Marston is a director and holds a relevant interest).
7. 100,000 Shares and 1,875,000 Director A Options exercisable at \$0.25 each on or before that date which is 5 years after the date of issue (subject to certain vesting conditions) are held directly by Dr Weinberg.
8. Each Performance Share will automatically convert into 1 Share upon the Company exercising its exclusive right to acquire 100% of either the Achmmach Project or El Karit Project on or before 14 February 2010. Holders of Performance Shares will not be entitled to participate in the Offer.

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Directors and in default of agreement then in equal shares.

The value of Options issued to the Directors as disclosed in the 2007 and 2008 Annual Reports were \$371,268 for the year ended 30 June 2007 and \$155,259 for the year ended 30 June 2008. None of the non-executive Directors received any cash remuneration in the last two financial years, other than Mr Hepburn-Brown who received \$458,010 and \$400,411 (excluding superannuation) for the years ended 30 June 2007 and 30 June 2008 respectively for his services as an executive director of

the Company. These payments include Option based payments of \$273,369 for each of the periods ended 30 June 2007 and 30 June 2008. Mr Bramwell was paid \$524,098 and \$498,369 (excluding superannuation) for the years ended 30 June 2007 and 30 June 2008 respectively. These payments include Option based payments of \$273,369 for each of the periods ended 30 June 2007 and 30 June 2008.

Directors, companies associated with the directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

7.3 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or
- (c) the Offer of securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

Pursuant to Section 716 of the Corporations Act, BDO Kendalls Audit & Assurance (WA) Pty Ltd has given, and has not withdrawn its consent to be named in this Prospectus as auditor of the Company and to the use of the reviewed consolidated Balance Sheet of the Company as at 31 December 2008 for the purpose of preparing the Pro Forma Balance Sheet, in the form and context in which they are included. BDO Kendalls Audit & Assurance (WA) Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus

Pursuant to Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does

not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin has acted as solicitors to the Offer providing general advice to the Company and assisting in the preparation of this Prospectus. Steinepreis Paganin will be paid approximately \$10,000 for these services. In the past two years, Steinepreis Paganin has been paid \$42,242 (excluding GST and disbursements) by the Company.

Pursuant to Section 716 of the Corporations Act, Computershare Investor Services Pty Ltd has given, and has not withdrawn its consent to being named as share registry to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Computershare Investor Services Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

7.4 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

7.5 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer are as follows:

	\$
ASIC fees	2,010
ASX fees	8,083
Commissions (maximum)	106,200
Legal expenses	10,000
Printing and other expenses	4,500
Total	130,793

7.6 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on the ASX.

The highest and lowest market sale prices of the Company's Shares on the ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: \$0.056 on 17 March 2009

Lowest: \$0.038 on 23 and 24 March 2009

The latest available closing sale price of the Company's Shares on the ASX prior to the lodgement of this Prospectus with the ASIC was \$0.046 on 27 May 2009.

7.7 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus

and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the application form. If you have not, please phone the Company and the Company will send you, free of charge, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an application form from a person if it has reason to believe that when that person was given access to the electronic application form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. AUTHORITY OF DIRECTORS

8.1 Directors' Consent

Each of the Directors of Kasbah Resources Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated the 28th day of May 2009.

**Wayne Bramwell
Managing Director
For and on behalf of
KASBAH RESOURCES LIMITED**

9. DEFINITIONS

Applicant means a Shareholder or other party who applies for Shares pursuant to the Offer or the Shortfall Offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of the ASX.

Closing Date means the closing date of the Offer, being 5pm (WST) (or 4pm if accepting by BPAY®) on 25 June 2009 (unless extended).

Company or **Kasbah** means Kasbah Resources Limited (ABN 78 116 931 705).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the Corporations Act 2001(Cth).

Directors means the directors of the Company at the date of this Prospectus.

Dollar or "\$" means Australian dollars.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

Entitlement and Acceptance Form means the entitlement and acceptance form either attached to or accompanying this Prospectus.

Issue means the issue of Shares offered by this Prospectus.

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Offer means the offer pursuant to the Prospectus of one (1) new Share for every one (1) Share held by a Shareholder on the Record Date.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the official list of the ASX.

Option means an option to acquire a Share.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on the ASX.

Record Date means 5pm (WST) on 9 June 2009.

Related Corporation has the meaning given to that term in the Corporations Act.

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

Shareholder means a shareholder of the Company.

Shortfall means those Shares under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

Shortfall Offer means the offer for the Shortfall at the price of \$0.03 per Share.

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