

KASBAH RESOURCES LIMITED
ABN 78 116 931 705

CONSOLIDATED FINANCIAL REPORT

FOR THE HALF-YEAR ENDED

31 DECEMBER 2009

Corporate Directory

Directors

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

Stock Exchange Listing

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

Company Secretary

Trevor Hart

ASX Code

KAS

Registered and Principal Office

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Facsimile: +618 9463 6652
Email: info@kasbahresources.com
Web: www.kasbahresources.com

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Lawyers & Consultants
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Perth WA 6000
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Share Register

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45 St Georges Terrace
Perth WA 6000
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Auditor

BDO Audit (WA) Pty Ltd
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The half-year financial statements do not include all the notes of the type normally included in the annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2009 and any public announcements made by Kasbah Resources Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporation Act 2001*.

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 2009.

DIRECTORS

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

Graeme Walker (Non-Executive Chairman)	Director since 11 May 2006
Wayne Bramwell (Managing Director)	Director since 31 October 2005
Peter Hepburn-Brown (Non-Executive Director)	Director from 28 November 2005 to 20 November 2009
Rod Marston (Non-Executive Director)	Director since 15 November 2006
Robert Weinberg (Non-Executive Director)	Director since 15 November 2006

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

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax for the half-year ended 31 December 2009 was \$2,372,712 after writing off exploration and development costs of \$1,623,947 and allowing for non-cash costs of \$80,790 for option based payment expense. As disclosed in Note 3 to the accounts whilst the Group holds exploration properties under option all exploration costs are required to be written off as incurred, regardless of the potential to develop the property.

Review of Operations

During the half-year ended 31 December 2009 the Group undertook the following:

- Continued drilling and exploration work at the Achmmach Tin Project.

AUDITOR'S INDEPENDENCE DECLARATION

Section 307C of the Corporations Act 2001 requires our auditors, BDO Audit (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 18 and forms part of this Directors' Report.

Signed in accordance with a resolution of Directors and on behalf of the Directors by:



Wayne Bramwell
Managing Director
South Perth, 15 March 2010

Consolidated Statement of Comprehensive Income

For the six months ended 31 December 2009

	31 December	31 December
	2009	2008
	\$	\$
Revenue from continuing operations	71,897	170,392
Exploration and Development Costs	1,623,947	1,315,050
Share based payment expense	80,790	206,233
Accounting and Corporate fees	166,643	245,613
Employee Benefits expense	246,535	163,391
Occupancy expense	33,825	27,245
Administration costs	121,039	108,807
Depreciation and amortisation	62,080	58,222
Travel costs	51,596	70,621
Other costs	58,154	128,136
Loss before income tax expense from continuing operations	(2,372,712)	(2,152,926)
Income tax expense	-	-
Loss for the half-year attributable to the members of Kasbah Resources Limited	(2,372,712)	(2,152,926)
Other Comprehensive Income		
Foreign currency translation differences on foreign operations	(209,701)	212,887
Total comprehensive income for the period attributable to the members of Kasbah Resources Limited	(2,582,413)	(1,940,039)
Basic loss per share (cents per share)	1.2	2.1
Diluted loss per share	N/A	N/A

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

Consolidated Statement of Financial Position

As at 31 December 009

	31 December	30 June
	2009	2009
	\$	\$
Note		
Current Assets		
Cash and cash equivalents	2,373,877	4,820,559
Other financial assets	19,878	40,574
Trade and other receivables	31,767	39,080
Total Current Assets	2,425,522	4,900,213
Non-current Assets		
Property, plant and equipment	273,112	264,972
Exploration & Evaluation Assets	7 1,247,393	1,406,685
Total Non-current Assets	1,520,505	1,671,657
TOTAL ASSETS	3,946,027	6,571,870
Current Liabilities		
Trade and other payables	172,151	296,371
Total Current Liabilities	172,151	296,371
TOTAL LIABILITIES	172,151	296,371
NET ASSETS	3,773,876	6,275,499
EQUITY		
Issued Capital	15,475,850	15,475,850
Reserves	2,139,383	2,268,294
Accumulated losses	(13,841,357)	(11,468,645)
TOTAL EQUITY	3,773,876	6,275,499

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the six months ended 31 December 2009

	Issued Share Capital	Accumulated Losses	Share Based Payments	Foreign Currency Translation Reserve	Total
	\$	\$		\$	\$
Balance as at 1 July 2008	12,945,200	(7,517,621)	1,951,824	-	7,379,403
Total comprehensive income for the period					
Loss for the period	-	(2,152,926)	-	-	(2,152,926)
Other comprehensive income					
Currency translation difference	-	-	-	212,887	212,887
Total comprehensive income for the period	-	(2,152,926)	-	-	(1,940,039)
Contributions by and distribution to shareholders					
Share based payments	-	-	206,233	-	206,233
Balance as at 31 December 2008	12,945,200	(9,670,547)	2,158,057	212,887	5,645,597
Balance as at 1 July 2009	15,475,850	(11,468,645)	2,289,163	(20,869)	6,275,499
Total comprehensive income for the period					
Loss for the period	-	(2,372,712)	-	-	(2,372,712)
Other comprehensive income					
Currency translation difference	-	-	-	(209,701)	(209,701)
Total comprehensive income for the period	-	(2,372,712)	-	(209,701)	(2,582,413)
Contributions by and distribution to shareholders					
Share based payments	-	-	80,790	-	80,790
Balance as at 31 December 2009	15,475,850	(13,841,357)	2,369,953	(230,570)	3,773,876

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

Consolidated Statement of Cash Flows

For the six months ended 31 December 2009

	31 December 2009	31 December 2008
	\$	\$
Cash flows from operating activities		
Cash paid to suppliers and employees	(821,805)	(1,001,560)
Payments for exploration and evaluation	(1,628,794)	(1,257,386)
Interest received	49,238	190,879
Other Income	19,816	-
Net cash (used in) operating activities	(2,381,545)	(2,068,067)
Cash flows from investing activities		
Acquisition of plant and equipment	(60,846)	(23,066)
Net cash (used in) investing activities	(60,846)	(23,066)
Net (decrease) / increase in cash held	(2,442,391)	(2,091,133)
Cash and cash equivalents at 1 July	4,820,559	5,736,056
Effect of exchange rate fluctuations on cash held	(4,291)	45,507
Cash and cash equivalents at 31 December	2,373,877	3,690,430

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

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2009

1. Reporting Entity

Kasbah Resources Limited (“the Group”) is a company domiciled in Australia and is listed on the Australian Securities Exchange. The consolidated half-year financial statement of the Company as at and for the six months ended 31 December 2009 comprises the Company and its subsidiaries (together referred to as the “Group”).

The consolidated annual financial statement of the Group as at and for the year ended 30 June 2009 is available upon request from the Company’s registered office at 19 Hardy Street South Perth W.A. 6151 or at www.kasbahresources.com.

2. Basis of preparation of half-year financial statements

These consolidated half-year financial statements have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*, Interpretations and the Corporations Act 2001.

The consolidated half-year financial statements report does not include all notes of the type normally included within annual financial statements 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 Statements of Kasbah Resources Limited as at 30 June 2009. The accounting policies applied by the Group in these half-year financial statements are consistent with the financial statements for the year ended 30 June 2009. It is also recommended the half-year financial statements be considered together with any public announcements made by Kasbah Resources Limited during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

No other accounting standards issued not yet effective have been adopted, other than the following.

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2009

Going concern

The Directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The ability of the Company to continue as a going concern will be dependent on the ability to raise further funds as and when required to facilitate the ongoing exploration and commercialisation of its various tenement holdings.

The directors believe that they will continue to be successful in securing additional funds through the issue of equity securities.

Adoption of Effective Accounting Standards

The following standards and amendments have become effective and have been adopted by the Group for this half-year.

The Group has applied the revised AASB 101 Presentation of Financial Statements (2007) which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these half-year financial statements as of and for the half-year period ending 31 December 2009. Comparative information has also been re-presented so that it is in conformity with the revised standard. There is no impact on earnings per share for the current or the previous half-year period.

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are now reported in a manner that is consistent with the internal reporting to the chief operating decision maker ("CODM"), which has been identified by the company as the Managing Director and other members of the Board of Directors

AASB 3 Business Combinations has also been applied but has no impact on the group.

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2009

3. SIGNIFICANT ACCOUNTING POLICIES

Segment Information

The Board has determined that the company has one reportable segment, being mineral exploration in Morocco. As the company is focused on mineral exploration, the Board monitors the company based on actual versus budgeted exploration expenditure incurred by area of interest.

This internal reporting framework is the most relevant to assist the Board with making decisions regarding the company and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

Segment information provided to the board:

	31 December	30 June
	2009	2009
	\$	\$
Revenue from external sources	-	-
Reportable segment loss	(1,623,947)	(1,315,050)
Reportable segment assets	1,504,316	1,761,394

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:

	31 December	30 June
	2009	2009
	\$	\$
Total loss for reportable segment	(1,623,947)	(1,315,050)
Unallocated:		
- Corporate expenses	(820,662)	(1,008,268)
- Interest revenue	52,082	170,392
- Other revenue	19,815	-
Loss before income tax from continuing operations	(2,372,712)	(2,152,926)

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2009

4. Dividends Paid or Provided for

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

5. Subsequent Events after Balance Date

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

6. Capital Commitments

There have been no changes to capital commitments since 30 June 2009.

7. Non-Current assets – Exploration and Evaluation assets

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

	Half-year ended December 2009 \$	Half-year ended June 2009 \$
Exploration brought forward at 1 July	1,406,685	-
Expenditure in year	-	1,406,685
Expenditure written off during the year	-	-
Adjustments for foreign currency translation	(159,292)	
Expenditure carried forward at 30 June	1,247,393	1,406,685

The Group holds exploration properties both under option and direct title. While the Group holds properties under option it is a requirement that all ongoing exploration, evaluation and development expenditure on areas of interest is expensed as incurred. During the 6 month period ending 31 December 2009 the group expensed a total of \$1.623 million in regards to exploration and development costs on the Achmmach project.

8. Contingent Liabilities and Contingent Assets

There have been no changes since 30 June 2009.

Notes to the Consolidated Financial Statements

For the six months ended 31 December 2009

9. Related Party Transactions

There have been no changes since 30 June 2009.

Directors' Declaration

The directors of Kasbah Resources Limited declare:

The attached consolidated financial statements and notes set out on pages 6 to 13 are in accordance with the Corporations Act 2001, including:

- (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance, as represented by the results of its operation and its cash flows for the six month period ended on that date.

In the Directors opinion there are reasonable grounds to believe 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, 15 March 2010

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

Matters Relating to the Electronic Presentation of the Half-Year Financial Report

This auditor's report relates to the half-year financial report of Kasbah Resources Limited for the period ended 31 December 2009 included on Kasbah Resources Limited's web site. The disclosing entity's directors are responsible for the integrity of Kasbah Resources Limited's web site. We have not been engaged to report on the integrity of Kasbah Resources Limited's web site. The auditor's review report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this half-year report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the reviewed half-year financial report to confirm the information included in the reviewed half-year financial report presented on this web site.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kasbah Resources Limited, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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 and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2009 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

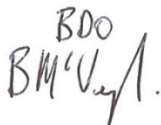
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Kasbah Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our review, we draw attention to the fact that, as disclosed in Note 2 in the financial report, the company will have to seek additional funding in order to progress exploitation of its exploration assets. If the company is unable to obtain additional funding it may indicate the existence of a material uncertainty which may cast significant uncertainty on the company's ability to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the values stated in this financial report.

BDO Audit (WA) Pty Ltd



Brad McVeigh
Director

Signed in Perth, Western Australia
Dated this 15th day of March 2010

15th March 2010

The Board of 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 of Kasbah Resources Limited for the half-year ended 31 December 2009, 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.



Brad McVeigh
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia