



KASBAH RESOURCES LIMITED

ACN 116 931 705

**Interim
Financial Report**

For the Half Year Ended

31 December 2014

Corporate Directory

Directors

Rod Marston (Non-executive Chairman)
Wayne Bramwell (Managing Director)
Robert Weinberg (Non-executive Director)
Gary Davison (Non-executive Director)
Ian McCubbing (Non-executive Director)
Gabrielle Moeller (Non-executive Director)

Company Secretary

Trevor O'Connor

Principal Registered Office in Australia

Unit 3, 77 Mill Point Road
South Perth WA 6151

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Facsimile: +61 8 9463 6652
E-mail: info@kasbahresources.com
Web: www.kasbahresources.com

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited under the trading code KAS.

Share Registry

Link Market Services Limited
Level 4
152 St Georges Terrace
Perth WA 6000
Telephone: +61 1300 554 474

Bankers

Westpac Banking Corporation
1257 – 1261 Hay Street
West Perth WA 6005

Solicitors

In Australia

Steinepreis Paganin
Lawyers & Consultants
Level 4
The Read Buildings
16 Milligan Street
Perth WA 6000
Telephone: +61 8 9321 4000
Facsimile: +61 8 9321 4333

Auditors

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

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Directors Report

Your Directors present their report on the consolidated entity (referred to hereafter as the “Group”) consisting of Kasbah Resources Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2014.

DIRECTORS

The following persons were Directors of Kasbah Resources Limited during the whole of the half-year and up to the date of this report:

- Rod Marston
- Wayne Bramwell
- Robert Weinberg
- Gary Davison
- Ian McCubbing
- Gabrielle Moeller

REVIEW AND RESULTS OF OPERATIONS

Operating Results

Net operating loss after tax for the half-year ended 31 December 2014 was \$5,162,894 (2013: \$4,229,524) after exploration and evaluation costs of \$2,653,537 (2013: \$3,508,054), impairment expense of \$323,539 (2013: \$53,996) and allowing for non-cash costs of \$28,022 (2013: \$225,450) for option based payment expense. As disclosed in the 30 June 2014 Financial Statements exploration and evaluation expenditure is expensed as incurred except for the acquisition of exploration properties which is capitalised and carried forward.

Review of Operations and Changes in State of Affairs

During the half-year ended 31 December 2014, the formalisation of the Company’s Moroccan subsidiary Atlas Tin SAS (75% Kasbah Resources Limited, 20% Toyota Tsusho Corporation (TTC) and 5% Nittetsu Mining Co. Ltd (NMC)) was completed. As shareholders of Atlas Tin SAS, TTC and NMC are obligated to contribute their respective share of expenditure including the liabilities associated with the outstanding instalment purchase considerations for the Achmmach Tin Project (as disclosed in Note 5 Trade and Other Payables of the Consolidated Financial Statements).

Also the Group announced a resource upgrade to the Western Zone (WZ) at Achmmach, and consequent to this commenced a Definitive Feasibility Study (DFS) Enhancement programme to integrate the WZ into the DFS mine schedule.

Financing and offtake discussions continued with a view to the company receiving updated debt and offtake proposals post release of the enhanced DFS financials.

Directors Report

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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

A handwritten signature in blue ink, appearing to read 'Wayne Bramwell', with a long horizontal stroke extending to the right.

Wayne Bramwell
Managing Director
South Perth, 13 March 2014

Auditors Independence Declaration



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DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF KASBAH RESOURCES LIMITED

As lead auditor for the review of Kasbah Resources Limited for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. 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.

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', written over a light blue horizontal line.

Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 13 March 2015

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Half-Year Ended 31 December 2014

	Note	Half-year	
		2014	2013
		\$	\$
Revenue from continuing operations	3	49,496	167,758
Other Income	3	-	1,388,724
Exploration and evaluation expenditure		2,653,537	3,508,054
Fair value loss / (gain) on revaluation of put option		-	231,039
Impairment expense		323,539	53,996
Employee option based payment expense		28,022	225,450
Project financing expenses		294,968	-
Accounting and corporate fees		288,414	268,152
Employee benefits expenses		765,149	726,070
Occupancy expense		81,497	76,614
Administration expenses		198,217	175,263
Depreciation and amortisation expenses		172,655	226,741
Travel expenses		72,635	43,608
Other expenses from ordinary activities		333,757	251,019
(Loss) from continuing operations before tax expense		(5,162,894)	(4,229,524)
Income tax benefit/(expense)		-	-
(Loss) after tax from continuing operations		(5,162,894)	(4,229,524)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation difference on foreign operations		184,155	489,113
Total comprehensive loss for the period		(4,978,739)	(3,740,411)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For The Half-Year Ended 31 December 2014

	Half-year	
	2014	2013
Note	\$	\$
Total loss for the year is attributable to:		
Non-controlling interest	(764,764)	(57,845)
Owners of Kasbah Resources Limited	(4,398,131)	(4,171,679)
	(5,162,894)	(4,229,524)
Total comprehensive loss for the year is attributable to:		
Non-controlling interest	(711,820)	(37,047)
Owners of Kasbah Resources Limited	(4,266,919)	(3,703,364)
	(4,978,739)	(3,740,411)
Loss per share for the year attributable to the members of Kasbah Resources Limited:		
Basic (loss) per share (cents per share)	(1.05)	(1.05)
Diluted (loss) per share (cents per share)	(1.05)	(1.05)

The consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

As at 31 December 2014

	Note	31 December 2014 \$	30 June 2014 \$
Current Assets			
Cash and cash equivalents		4,772,419	4,402,999
Trade and other receivables	4	1,506,554	1,313,740
Non-current assets classified as held for sale		1	1
Total Current Assets		6,278,974	5,716,740
Non-Current Assets			
Property, plant and equipment		527,009	659,705
Exploration and evaluation expenditure		5,241,369	4,923,440
Total Non-Current Assets		5,768,378	5,583,145
Total Assets		12,047,352	11,299,885
Current Liabilities			
Trade and other payables	5	3,016,744	2,169,275
Total Current Liabilities		3,016,744	2,169,275
Non-Current Liabilities			
Trade and other payables	5	2,112,057	1,828,448
Provisions		128,853	105,647
Total Non-Current Liabilities		2,240,910	1,934,095
Total Liabilities		5,257,654	4,103,370
NET ASSETS		6,789,698	7,196,515
Equity			
Issued capital	6	60,334,502	56,526,222
Reserves		28,580,867	28,692,961
Accumulated losses		(80,888,250)	(76,490,119)
Parent Entity Interest		8,027,120	8,729,064
Non-Controlling Interest		(1,237,422)	(1,532,549)
TOTAL EQUITY		6,789,698	7,196,515

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes In Equity

For The Half Year Ended 31 December 2014

Consolidated	Note	Issued Capital \$	Accumulated Losses \$	Share Based Payments Reserves \$	Foreign Currency Translation Reserves \$	Other Reserves \$	Sub-Total \$	Non- controlling Interest \$	Total \$
Balance 1 July 2013		56,526,222	(63,830,804)	3,614,540	(995,503)	8,392,292	3,706,747	(1,142,292)	2,564,455
Loss for the period		-	(4,171,679)	-	-	-	(4,171,679)	(57,845)	(4,229,524)
Other comprehensive income									
Foreign currency translation differences		-	-	-	468,315	-	468,315	20,798	489,113
Total comprehensive loss for the period		-	(4,171,679)	-	468,315	-	(3,703,364)	(37,047)	(3,740,411)
Transactions with owners in their capacity as owners									
Share based payments		-	-	225,450	-	-	225,450	-	225,450
Issue of fully paid shares		-	-	-	-	-	-	-	-
Balance 31 December 2013		56,526,222	(68,002,483)	3,839,990	(527,188)	8,392,292	228,833	(1,179,339)	(950,506)
Balance 1 July 2014		56,526,222	(76,490,119)	3,731,992	(912,381)	25,873,350	8,729,064	(1,532,549)	7,196,515
Loss for the period		-	(4,398,131)	-	-	-	(4,398,131)	(764,764)	(5,162,894)
Other comprehensive income									
Foreign currency translation differences		-	-	-	131,211	-	131,211	52,944	184,155
Total comprehensive loss for the period		-	(4,398,131)	-	131,211	-	(4,266,920)	(711,820)	(4,978,739)
Transactions with owners in their capacity as owners									
Share based payments		-	-	28,022	-	-	28,022	-	28,022
Issue of fully paid shares		3,885,170	-	-	-	-	3,885,170	-	3,885,170
Share issue costs		(76,890)	-	-	-	(271,327)	(348,217)	-	(348,217)
Transactions with non-controlling interests	(8)	-	-	-	-	-	-	1,006,947	1,006,947
Balance 31 December 2014		60,334,502	(80,888,250)	3,760,014	(781,170)	25,602,023	8,027,120	(1,237,422)	6,789,698

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For The Half Year Ended 31 December 2014

	Note	Half year	
		2014	2013
		\$	\$
Cash flows from operating activities			
Cash paid to suppliers and employees		(1,676,929)	(1,669,006)
Payments for exploration and evaluation		(2,415,347)	(5,752,560)
Interest received		41,452	128,314
Other Income		-	1,099,368
Net cash outflow from operating activities		(4,050,824)	(6,193,884)
Cash flows from investing activities			
Acquisition of mining assets		(100,000)	-
Payment for security deposits and bonds		(30,390)	(14,657)
Acquisition of plant and equipment		(11,650)	(26,430)
Proceeds from sale of plant and equipment		-	-
Net cash outflow from investing activities		(142,040)	(41,087)
Cash flow from financing activities			
Proceeds from share issues		3,885,170	-
Share issue costs		(76,890)	-
Share issue costs – subsidiary		(271,327)	-
Proceeds from non-controlling interest	8	1,006,947	-
Net cash inflow from financing activities		4,543,900	-
Net increase/(decrease) in cash held		351,036	(6,234,971)
Cash at the beginning of the financial year		4,402,999	14,109,909
Effect of exchange rate fluctuations on cash held in foreign currencies		18,384	35,189
Cash at the end of the financial year		4,772,419	7,910,127

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

The consolidated half-year financial statements do 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 statements. The half-year financial statements should be read in conjunction with the Annual Financial Statements of Kasbah Resources Limited as at 30 June 2014.

Going Concern

The financial statements have been prepared on a going concern basis which assumes the company and consolidated entity will have sufficient cash to pay its debts as and when they become payable for a period of at least 12 months from the date the financial report was authorised for issue. The ability of the consolidated entity to continue its activities and therefore the continued adoption of the going concern assumption is dependent on the consolidated entity raising additional funds during the 2015 calendar year.

The directors are confident that they will be able to raise equity and / or raise additional funds from other sources which will provide the consolidated entity with sufficient funding to meet its ongoing expenditure, and therefore it is appropriate to prepare the financial statements on the going concern basis.

However, in the event that the consolidated entity is not able to raise equity or raise additional funds from other sources, significant uncertainty would exist as to whether the consolidated entity will continue as a going concern, and therefore whether it will realise the assets and extinguish the liabilities in the normal course of business and at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that might be necessary should the company and the consolidated entity not continue as a going concern.

Accounting Policies

a) Exploration and Evaluation Expenditure

Exploration and evaluation expenditure is written off in the year incurred, except for acquisition of exploration properties which is capitalised and carried forward.

Notes to the Consolidated Financial Statements

b) New, Revised or Amending Accounting Standards and Interpretations Adopted

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 2014 except as follows:

- AASB 2014-1 Amendments to Australian Accounting Standards – Part A – Annual Improvements 010-2012 and 2011-2013 Cycles. Application of this policy has had no impact on disclosures in the financial statements.
- AASB 2014-1 Amendments to Australian Accounting Standards – Part C – Materiality. Application of this policy has had no impact on disclosures in the financial statements.

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 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2014 reporting period and have not been applied in these financial statements. Kasbah is continuing to assess the impact of these standards and interpretations.

Notes to the Consolidated Financial Statements

2. SEGMENT INFORMATION

(a) Description of segments

The Board has determined that the Company has one reportable segment, being mineral exploration. 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 Group and its ongoing exploration activities.

(b) Segment Information provided to the Board:

	Consolidated	
	Half-year 2014	Half-year 2013
	\$	\$
Revenue from external customers	-	-
Reportable segment loss	(3,663,995)	(4,013,252)
Reportable segment assets	8,484,735	7,332,310
Reportable segment liabilities	(4,620,420)	(4,772,497)

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

Total loss for reportable segment	(3,663,995)	(4,013,252)
Unallocated		
Corporate expenses	(1,548,395)	(1,541,715)
Interest revenue	49,496	167,758
Other Income	-	1,157,685
Loss before income tax from continuing operations	(5,162,894)	(4,229,524)

Notes to the Consolidated Financial Statements

3. REVENUE AND OTHER INCOME

	Consolidated	
	31 December 2014	31 December 2013
	\$	\$
Interest revenue	49,496	167,758
Other Income		
Interest income from amortisation of Toyota Tsusho liability	-	289,357
Other income	-	1,099,367
	-	1,388,724

4. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Current		
Trade and other receivables	175,134	118,579
Prepayments	104,117	137,361
Other current assets (a)	1,227,303	1,057,800
VAT receivable	630,821	130,229
Impairment of VAT	(630,821)	(130,229)
	1,506,554	1,313,740

- a) Other current assets include a US\$1M bank guarantee deposit held in Morocco. The deposit will be released back to the Group upon the completion of the outstanding instalment purchase consideration to ONHYM for the Achmmach permits (refer note 5).

Notes to the Consolidated Financial Statements

5. TRADE AND OTHER PAYABLES

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Current		
Trade payables	707,897	359,648
Other payables and accruals (a)	2,308,847	1,809,627
	3,016,744	2,169,275
Non-Current		
Other payables (b)	2,112,057	1,828,448
	2,112,057	1,828,448

- a) The current Other Payables and Accruals balance includes the acquisition of the Achmmach Tin Project and recognition of the liability associated with the outstanding instalment purchase consideration. The remaining two annual instalments of US\$1,000,000 each have been discounted to fair value as at 31 December 2014. The next instalment of US\$1,000,000 is due in May 2015 and has been included as a current liability with the remainder classified as non-current.
- b) The non-current Other Payables balance relates to the final instalment on Achmmach (which is secured by a cash backed bank guarantee included in trade and other receivables) and other associated costs.

Notes to the Consolidated Financial Statements

6. CONTRIBUTED EQUITY

	Consolidated		Consolidated	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Number of Shares	Number of Shares	\$	\$
Issued and Paid-up Capital				
Ordinary shares, fully paid	451,415,023	395,912,596	60,334,502	56,526,222
Movements in ordinary share capital				
Balance at the beginning of the financial year	395,912,596	395,912,596	56,526,222	56,526,222
Non-renounceable rights issue (Oct 2015)	55,502,427	-	3,885,170	-
Less share issue costs	-	-	(76,890)	-
Issued capital at end of period	451,415,023	395,912,596	60,334,502	56,526,222

7. SHARE BASED PAYMENTS

On 27 November 2014 following shareholders' approval 500,000 share options were issued to a non-executive Director. The exercise price of the options is \$0.12 per share with an expiry date of 27 November 2017. 50% of the options vest immediately with the remaining 50% vesting 1 year from the date of issue.

All options issued during the half year were valued using the Black-Scholes model. The fair value of options granted during the six months ended 31 December 2014 was estimated on the date of grant using the following assumptions:

	27 November 2014
Exercise Price (\$)	0.12
Expected volatility (%)	57.55
Risk-free interest rate (%)	2.64
Expected life (years)	3.00
Share price at this date (\$)	0.073
Fair value per option	0.0196

For the six months ended 31 December 2014, the Company has recognised \$28,022 of share based payment transactions expense in the income statement in relation to share options issued (31 December 2013: \$225,450).

Notes to the Consolidated Financial Statements

8. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

During the six month period, a cash call was made by Atlas Tin SAS to its shareholders. The following amounts were received from Toyota Tsusho Corporation (TTC) of A\$805,558 and Nittetsu Mining Co. Ltd (NMC) of A\$201,389.

The assets and liabilities for Atlas Tin SAS have been consolidated and disclosed on a 100% basis. It should be noted that TTC (20%) and NMC (5%) have an ongoing obligation to meet current and future expenditure obligations including the liabilities associated with the outstanding instalment purchase considerations for the Achmmach Tin Project (as disclosed in Note 5 Trade and Other Payables of the Consolidated Financial Statements).

9. DIVIDENDS

No dividends have been paid or declared during the period.

10. SUBSEQUENT EVENTS AFTER BALANCE DATE

No events or circumstances have arisen since 31 December 2014 that would require disclosure in this financial report.

11. CAPITAL COMMITMENTS

There have been no changes to capital commitments since 30 June 2014.

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There has been no change in contingent liabilities or contingent assets since 30 June 2014.

Directors Declaration

In the Director's opinion:

- a) The financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date.

and

- b) There are reasonable grounds to believe that Kasbah Resources Limited will be able to pay its debts as and when they become due and payable.

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



Wayne Bramwell
Managing Director

South Perth, 13 March 2015

Independent Auditors Report



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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Kasbah Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Kasbah Resources Limited, which comprises the consolidated balance sheet as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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*, which has been given to the directors of Kasbah Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

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Independent Auditors Report



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 2014 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*.

Emphasis of matter

Without modifying our conclusion, we draw attention to Note 1 in the half-year financial report, which indicates that the ability of the consolidated entity to continue as a going concern is dependent upon the future successful raising of necessary funding. This condition as set out in Note 1, indicates the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business at amounts stated in the financial statements.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', written over the printed name.

Glyn O'Brien
Director

Perth, 13 March 2015