BAOBAB RESOURCES PLC

OPERATIONAL UPDATE

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Baobab Resources Plc ('Baobab' or the 'Company') is an iron ore, base and precious metals explorer with a portfolio of exploration projects in Mozambique. The Company is pleased to present an update of activities at the Tete iron / vanadium / titanium Project, where resource inventories currently total 324Mt (JORC Inferred), and the Muande Joint Venture Project.

Scoping level viability analysis of the Tete Project assessed a vertically integrated mining, beneficiation and pig iron smelting operation and reported before tax net present value at a 10% discount (NPV10) and internal rate of return (IRR) figures of US$1.4 billion and 34% respectively (as announced in the RNS dated 29 November 2011).

IFC (International Finance Corporation) hold a 15% participatory interest in the Tete Project with Baobab owning the remaining 85%. The Company announced on 6 February that IFC has supported the 2012 pre-feasibility study (PFS) through a pro-rata contribution of approximately US$1.9m.

HIGHLIGHTS

- All analytical results have been returned from the Tenge resource drilling programme (Tete Project) and have been forwarded to Coffey Mining to complete a resource estimate in accordance with the JORC code.
- The average head grade of all Tenge significant drill intercepts is 36% Fe with concentrate grades reporting a weighted average of 59% Fe, 0.8% V_2O_5 and 12% TiO_2 at a mass recovery of 45%.
- The Tenge drill results show an excellent correlation with those derived from drilling at the 93Mt Ruoni North resource block which, as demonstrated in the 2011 Scoping Study, is sufficient to support a stand-alone 1Mtpa pig iron operation over a 25 year mine-life.
- Monte Muande joint venture magnetite/phosphate drill results are currently being processed and are expected to become available during March 2012.
- Rio Mufa scout drilling confirmed the absence of economically significant coal seams.

Commenting today, Ben James, Baobab's Managing Director, said: *"An improvement in laboratory turnaround times has enabled the Company to get the Tenge resource data pack off to Coffey for estimation slightly ahead of schedule. The Tenge resource statement will mark the culmination of the highly productive 2011 field season and augment an already robust resource inventory underpinning the on-going PFS.*

"Baobab also looks forward to presenting the long awaited Monte Muande magnetite/phosphate drill results during March. As is often the case with exploration initiatives, the Rio Mufa coal scout drilling programme, though technically sound, did not delineate mineralisation of economic merit."

TENGE RESOURCE DRILLING

Tenge/Ruoni is the easternmost prospect area of the Massamba Group. Drilling at Tenge/Ruoni has intersected a heavily mineralised package varying in thickness from 60m to 150m. Mineralisation has been synformally folded with the fold hinge plunging gently to the west-northwest. Exploration campaigns in the prospect area have been divided into three resource blocks:

- **Ruoni North:** representing 1km of strike along the northern limb of the fold. Thirty seven reverse circulation (RC) and diamond holes have been completed to date across seven traverses for an aggregate total of c.5,750m. Drilling has intersected a substantial package of mineralisation from surface dipping at 25° to 50° to the southwest.

  On 31 October 2011, the Company announced the estimation of a 93Mt Inferred Resource at Ruoni North. Further drilling has subsequently been completed and the Company is confident that portions of the Inferred Resource will be elevated to Indicated once the analytical results have been returned.

- **Ruoni South:** representing 1.2km of strike along the southern limb of the fold. Twenty seven RC and diamond holes have been completed for an aggregate total of 5,200m. Mineralisation in the Ruoni South area is generally steeper dipping (c.65° to the north).

  On 7 December 2011, the Company announced the estimation of a 56Mt Inferred Resource at Ruoni South. Of particular interest is the 0.9% V_2O_5 concentrate grade which is 12% higher than results reported from Ruoni North and some 28% higher than indicated concentrate grades from South Zone and Chitongue Grande resource areas.

- **Tenge:** representing the hinge zone of the fold and covering a strike length of approximately 1.3km. A 4,800m programme of diamond and RC drilling (26 drill holes) was completed in December 2011.

Further to announcements dated 30 January and 16 February 2012, analytical Results for all remaining RC and diamond holes from the Tenge resource drilling programme have been returned. A complete assay data set has been forwarded to internationally respected consultants, Coffey Mining Ltd ('Coffey'), to calculate a resource estimate. The resource statement, which is to be completed in accordance with the Joint Ore Reserves Committee (JORC) guidelines, is expected to be available for release during the first half of March 2012.

Drill hole collar details and significant intercepts are tabulated below. The average head grade of all Tenge significant intercepts reported to date (including those announced previously) is 36% Fe with the DTR concentrate grades reporting a weighted average of 59% Fe, 0.8% V_2O_5 and 12% TiO_2 at a mass recovery of 45%. Due to adverse water conditions down-hole, some RC drill holes were terminated in mineralisation and will be deepened with diamond drill tails during the 2012 campaign.

HOLEID	Depth From (m)	Depth To (m)	Length (m)	Fe Head (%)	Mass Recovery (%)	Davis Tube Recovery (DTR) Product						
						Fe Conc (%)	V_2O_5 Conc (%)	TiO_2 Conc (%)	Al_2O_3 Conc (%)	P Conc (%)	S Conc (%)	SiO_2 Conc (%)
TGRC0003	76	131	55	25.9	28.3	61	0.9	9.6	3.1	<0.001	0.06	0.71
TGRC0010	0	56	56	39.6	53.5	57	0.7	14.9	3.5	<0.001	0.10	0.97
TGRC0013	0	21	21	45.7	35.1	56	0.8	13.2	2.8	0.001	0.01	1.51
TGRC0013	83	140	57	39.7	42.6	63	0.9	6.8	2.7	<0.001	0.12	0.52
TGRC0015	90	207	117	29.0	32.2	59	0.8	11.3	3.6	0.001	0.29	1.09
TGRC0016	71	114	43	43.1	58.6	58	0.7	13.1	3.0	<0.001	0.11	0.60
TGRC0016	135	199	64	31.0	35.4	60	0.8	11.1	3.1	<0.001	0.19	0.79
TGRC0016A	85	147	62	33.1	43.5	58	0.7	12.6	3.3	0.001	0.16	0.82
TGRC0016A	157	173	16	27.5	26.8	62	0.9	6.8	3.7	0.001	0.28	1.01
TGRC0016A	209	214	5	46.7	63.9	60	0.8	11.3	2.9	0.001	0.21	0.56
TGRC0016A*	225	252	27	40.8	57.8	57	0.7	14.1	3.2	<0.001	0.27	0.70
TGRC0017	0	11	11	38.3	44.4	60	0.9	10.2	3.2	<0.001	0.02	0.80
TGRC0017*	66	205	139	35.3	45.4	58	0.8	12.9	3.2	<0.001	0.14	0.88
TGRC0017A	7	30	23	18.0	16.1	58	0.9	6.4	3.2	<0.001	0.03	1.04
TGRC0017A	74	93	19	41.9	57.6	58	0.7	13.5	2.8	<0.001	0.09	0.49
TGRC0017A	105	234	129	33.3	40.2	59	0.8	12.0	3.3	<0.001	0.16	0.74

TGRC0018	0	48	48	46.5	32.1	59	0.9	9.4	2.6	<0.001	0.01	1.80
TGRC0019*	2	225	223	39.1	50.4	59	0.8	12.8	3.1	<0.001	0.10	0.74
TGDH0003	46	57.5	11.5	39.6	50.6	60	0.8	10.3	3.2	<0.001	0.08	0.47
TGDH0003	77.5	193	115.5	35.8	55.5	57	0.7	15.2	3.2	<0.001	0.15	0.53
TGDH0003A	60.5	180	119.5	39.2	56.7	57	0.7	15.0	3.3	<0.001	0.15	0.73
TGDH0004	75.5	222	146.5	37.8	50.9	58	0.7	13.1	3.3	<0.001	0.16	0.70
TGDH0005	83	229	146	41.6	60.8	57	0.7	14.6	3.5	<0.001	0.11	0.58

** End of hole intercept*

HOLEID	TOTAL DEPTH (m)	EAST (m)	NORTH (m)	RL (m)	AZIMUTH (Deg)	DIP (Deg)
TGRC0003	144	582080	8261595	288	129	-60
TGRC0010	129	582630	8261850	298	59	-60
TGRC0013	162	582735	8261515	401	99	-50
TGRC0015	216	582285	8261457	289	303	-60
TGRC0016	214	582365	8261575	290	360	-90
TGRC0016A	252	582365	8261575	290	303	-60
TGRC0017	205	582243	8261398	286	360	-90
TGRC0017A	237	582243	8261398	286	303	-60
TGRC0018	78	582310	8261200	362	360	-90
TGRC0019	225	582140	8261185	289	325	-60
TGDH0003	215.4	582285	8261457	289	125	-45
TGDH0003A	198.2	582285	8261457	289	125	-65
TGDH0004	233.2	582365	8261575	290	117	-45
TGDH0005	242.9	582365	8261575	290	99	-45

Coordinate system WGS84 UTM zone 36S. Sample preparation at 1m composite intervals was completed by ACT-UIS laboratories in Tete, Mozambique prior to despatch to ALS Chemex laboratories in Perth, Western Australia for further compositing (maximum composite length of 5m) and Davis Tube Recovery (DTR) analysis (conducted at a 38µm fraction and 3000G). Head and magnetic concentrate sub-samples were analysed by X-ray Fluorescence Spectrometry (XRF). All values are calculated as weighted averages over the reported interval. ***Interval lengths are measured down-hole and should not be interpreted as true width.***

TETE PROJECT OVERVIEW

The project is located in the richly endowed Tete province of Mozambique. The province hosts some of the largest undeveloped coal reserves on the planet and, with estimates pointing towards the area producing up to 20% of the world's coking coal by 2015, is fast-tracking to become a mining and industrial hub of global significance.

Immediately south of Baobab's tenure, and sharing the Company's licence boundaries, are c.15Bt of coking and thermal coal resources being brought into production by two of the world's largest mining houses, Rio Tinto and Vale, along with premier steel producers, Tata Steel, Nippon Steel, Jindal Steel and Posco. Other operators in the area include AIM listed companies Beacon Hill Resources plc, Ncondezi Coal Company plc and Eurasian Natural Resources Corporation plc (ENRC).

Low tariff hydro-electric power is readily available from the 2,075 megawatt Cahora Bassa dam. Studies are underway to expand the dam's capacity by an additional 1,300 megawatts. A new 1,500 megawatt scheme at Mphanda N'kuwa, also on the Zambezi, is in advanced planning stages and due to commence production in 2015. The Company believes that it will be able to negotiate tariff rates at a third, if not a quarter, of typical power generation costs in Australia or west Africa which will have a significant impact on future operating costs.

The railway connecting Tete with the port of Beira is being refurbished, as is the port. The deep water port of Nacala and railway linking the port with the interior is also being refurbished under the auspices of a consortium including the Mozambique government, Vale and the World Bank. An order of magnitude study has been completed on a dedicated heavy haulage railway to a Greenfields port located within 500km of Tete.

The Project straddles the central portion of the Tete Mafic Complex and contains two areas of titano-magnetite / ilmenite mineralisation; the Singore area to the south and the Massamba Group in the north. The Massamba

Group is composed of a series of three prospects (Chitongue Grande, Chimbala and South Zone) forming an 8km long trend and the 3.5km long Tenge / Ruoni prospect to the east.

Building on the successful exploration programmes of 2009 and 2010, Baobab accelerated activities in 2011 to achieve two key milestones; to define a minimum resource base of 300Mt on which a Scoping Study could be finalised. The Company completed an aggressive c.40,000m drilling campaign that resulted in the expansion of the global resource base to an interim 324Mt (please refer to RNS dated 7 December 2011 for details). An additional resource statement at Tenge, due for release during March 2012, is set to enlarge the inventory again, pushing it towards 500Mt.

The Scoping Study, completed by independent consultants and applying conventional beneficiation and smelting technologies, assessed two production scenarios:

- Scenario 'A': base-case production of 3Mtpa titano-magnetite concentrate and 0.5Mtpa ilmenite concentrate products for export. Initial capital expenditure (capex) estimate of US$448m.
- Scenario 'B': capitalising on the Project's access to low tariff hydro-electric power and strategic proximity to thermal coal reserves to add further value on site through the mine-mouth smelting of 1Mtpa pig iron. Initial capex estimate of US$690m.

While the base-case model for scenario 'A' demonstrated viable Project fundamentals, the optimisations and financial modelling of Scenario 'B' at a 10% discount rate provided compelling economics with pre-tax net present value (NPV10) and internal rate of return (IRR) figures of US$1.4b and 34% respectively. The estimated average annual net cash flow after capex over the modelled 25 year mine life is US$275m.

The Scoping Study results show very clearly the 'value add' from the plans for on-site smelting of pig iron and underlines the strategic advantages of the Project's unique geography with respect to infrastructure and complementary resources. Producing a higher value, high demand product will not only broaden the market base, but also mitigate the requirement to compete for rail and port access.

The vanadium potential remains to be modelled and could add further to the value of this project. Reduced input costs through long-term domestic coal contracts and on-site power co-generation also need to be assessed, while the expanding resource base at Tenge/Ruoni, underpinning a meaningful +30 year mine life, allows scope for ramping up production.

For a detailed summary of the Scoping Study, please refer to RNS dated 29 November 2011.

A detailed Pre-Feasibility Study (PFS) work programme is underway. The Company has signed contracts with leading mining, engineering and environmental consultancies, including Coffey Mining, SNC-Lavalin and respected industry specialist, Dr. John Clout, to complete the various aspects of the study.

MUANDE JOINT VENTURE

The Company announced on 15 November 2010 the signing of a Joint Venture (the 'Joint Venture') with North River Resources plc ('North River') in relation to North River's Muande project (the 'Muande Project') in the Tete province of Mozambique. The Muande Project comprises two exploration licences covering an area of 338km² located approximately 25km northwest of the provincial capital of Tete and contiguous with Baobab's Tete project.

The principal areas of interest are the Monte Muande magnetite/phosphate deposit and Rio Mufa coal prospect.

The Monte Muande magnetite/phosphate deposit is located 25km to the northwest of the provincial capital of Tete. The international highway to Zambia passes within 3km of the project. The deposit is hosted in a carbonatite and was explored during the 1980s by the Geological Institute of Belgrade (GIB). GIB completed two phases of vertical diamond drilling between 1983 and 1985 totalling 5,570m, 2,960m of which falls within the Joint Venture area. The institute also completed more than 10km of trenching and bench-scale metallurgical test work.

Using the GIB data sets in conjunction with more recent soil geochemistry and aeromagnetic surveys completed by Omegacorp, consultants Coffey Mining calculated an Exploration Target of 200Mt to 250Mt to an average depth of c.40m below surface. Coffey also carried out a high level review of the GIB metallurgical data which indicated that a magnetite concentrate containing 67% Fe could be generated via a process of coarse grinding and magnetic separation, followed by regrinding and a flotation circuit to recover a phosphate rock concentrate containing 36% P_2O_5. Total magnetite and apatite recoveries of 92% and 70% respectively were recorded. Please refer to RNS announcement dated 19 September 2011 for additional details.

During the latter half of 2011, Baobab completed a c.2,000m diamond drilling at Monte Muande. The programme comprised 10 angled drill holes sited along a staggered traverse transecting the central portion of the deposit. Drilling has intersected broad zones of shallowly dipping magnetite and apatite mineralisation with samples currently at the ALS Chemex laboratory in Western Australia undergoing Davis Tube Recovery (DTR) and X-ray Fluorescence Spectrometry (XRF) analysis. Results are expected to become available during March 2012.

The Rio Mufa prospect includes 12 square kilometres of Lower Karoo lithologies underlying the southwestern corner of licence 1119L. Baobab commissioned specialist coal consultants, Gondwana Limitada ('Gondwana'), to complete a detailed field review of the Rio Mufa area during July 2011. Investigations confirmed that the prospect is underlain by the prospective basal units of the Lower Karoo sequence and a 13 hole scout drilling programme was designed. Drilling commenced on 15 September 2011 using a polycrystalline diamond (PCD) drill bit. PCD drilling is a rapid and cost competitive tool that is commonly employed during preliminary coal exploration campaigns. The drilling intersected minor seams of carbonaceous material of limited lateral continuity that are not considered to be of economic significance. No further exploration is warranted at this time.

The information in this release that relates to Exploration Results is based on information compiled by Managing Director Ben James (BSc). Mr James is a Member of the Australasian Institute of Mining and Metallurgy, is a Competent Person as defined in the Australasian Code for Reporting of exploration results and Mineral Resources and Ore Reserves, and consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

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