

## BAOBAB RESOURCES PLC

### JOINT VENTURE AGREEMENT FOR CHANGARA PROJECT

28 NOVEMBER 2012



Baobab Resources Limited (BAO: AIM) ('Baobab' or the 'Company') through its wholly owned subsidiary Capitol Resources Limitada (Capitol') is pleased to announce that it has signed a Joint Venture Agreement ('JVA') with Australian exploration company Metals of Africa Limited (ASX: MTA) ('MTA') in relation to the Company's Changara Project (the 'Project') in Tete Province, Mozambique.

MTA has entered into the JVA through its 100% subsidiary Afriminas Minerais Limitada ('Afriminas'). The JVA is conditional upon MTA receiving approval from shareholders at a meeting of Shareholders that will be convened shortly.

#### HIGHLIGHTS

- Baobab's Changara Project exploration licences cover 525km<sup>2</sup> and are contiguous with Metals of Africa's 825km<sup>2</sup> Rio Mazoe Project tenure.
- Combined, the two project areas control the entire extent of the lower Proterozoic Rushinga Formation, considered highly prospective for Broken Hill Type base metal and manganese mineralisation.
- Metals of Africa is earning into the Company's Changara Project via an unincorporated Joint Venture Agreement. The JVA has a four year, three-stage investment structure:
  - 2-stage investment of US\$750,000 to earn a 55% interest in the Project.
  - Option to fund a third stage of US\$1.2m to earn 80% total interest in the Project.
  - Baobab has the option to co-fund the third stage work programme on a pro-rata basis to maintain its 45% interest in the Project.
- The Joint Venture will ensure the acceleration of exploration in the highly prospective Changara Project where previous work carried out by Baobab has identified numerous lead, zinc, silver and manganese targets.

**Commenting today, Ben James, Baobab's Managing Director, said:** *'By combining Baobab's and Metals of Africa's tenure in the Changara area, the entire extent of the highly prospective Rushinga belt can now be more efficiently and effectively explored. Metals of Africa's management team has extensive corporate and technical operating experience in southern Africa and we look forward to working with them in developing this exciting corner of Mozambique.'*

*'The joint venture structure allows Baobab to retain a significant interest in the Changara Project going forward and also enables the Company consolidate its efforts on the Tete Pig Iron Project where the Pre-Feasibility Study is nearing conclusion.'*

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## METALS OF AFRICA & TERMS OF THE JOINT VENTURE AGREEMENT

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Metals of Africa successfully listed on the ASX during October 2012, raising AU\$3m. Through its wholly owned Mozambique subsidiary, Afriminas Minerais Limitada, the company holds eight exploration licences, known collectively as the Rio Mazoe Project, which are contiguous with Baobab's Changara Project. The company has a strong technical management team resident in Mozambique and has commenced a 4,500m drilling programme assessing two high priority lead/zinc/silver targets within the Rio Mazoe Project.

In an effort to consolidate tenure in the area, Afriminas has entered into an unincorporated Joint Venture Agreement with Capitol to earn an interest in the Company's Changara Project. The Joint Venture Agreement is conditional upon Metals of Africa receiving approval from shareholders at a meeting of Shareholders that will be convened shortly.

The Joint Venture Agreement outlines a three-stage investment to earn an increasing participatory interest in the Project:

- Stage 1 – Afriminas commits to funding a 1st Work Programme at a cost of not less than US\$150,000. Afriminas's participatory interest in the Project upon the completion of Stage 1 will be 25%.
- Stage 2 – Subject to having completed the 1st Work Programme satisfactorily, Afriminas shall have the exclusive right to undertake and fund a 2nd Work Programme at a cost of US\$600,000. Afriminas's participatory interest in the Project upon the completion of Stage 2 will be 55%.
- Stage 3 – Subject to having completed the 2nd Work Programme satisfactorily, Afriminas shall have (under the mutual agreement of both Parties) the exclusive right to undertake and fund a 3rd Work Programme at a cost of US\$1.2m. Against Afriminas having completed the 3rd Work Programme, its participatory interest in the Project shall increase to 80%.
- Capitol has the option to co-fund the 3rd Work Programme on a pro-rata basis to retain its 45% interest in the Project.
- Afriminas has been nominated as the operator of the Joint Venture, reporting to a management committee represented by both Parties.
- Afriminas may withdraw from the JVA at any time:
  - Prior to completion of 1st Program retains no equity interest and is required to pay out any committed expenditure shortfall.
  - Post completion of 1st Program retains 25% equity interest.
  - Post completion of 2nd Program retains 55% equity interest.

Activity	Spend (US\$)	Completion date	Earn in %
1st Work Programme	150,000	Aug 2013	25%
2nd Work Programme	600,000	Nov 2014	55%
3rd Work Programme	660,000 -1,200,000	Aug 2016	55 – 80%

## CHANGARA PROJECT SUMMARY

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The Changara Project comprises four contiguous exploration licences covering an area of 525km<sup>2</sup> located approximately 100km southwest of the Provincial capital of Tete and flanking Zimbabwe's north-eastern border. The national power grid passes within 15km of the project's eastern boundary.

The licences are underlain by lower Proterozoic rocks of the Rushinga Group which flank the north-eastern margin of the Zimbabwe Craton. Although the area has experienced limited historical exploration, it is considered highly prospective for SedEx / Broken Hill Type (BHT) polymetallic base and precious metal and manganese mineralisation and hosts numerous occurrences of zinc, lead, manganese, iron ore, fluorite, copper and silver.

*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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