



## Baobab Resources plc

### Interim Results for the 6 Months Ended 31 December 2010

Baobab Resources Plc. ("Baobab" or the "Company"), the iron ore, base and precious metals explorer with a portfolio of exploration projects in Mozambique, is pleased to announce its Interim Results for the six months ended 31 December 2010.

#### **Highlights**

- Scout drilling completed at Tete continues to support the independently estimated Massamba Group 400 - 700Mt Exploration Target.
- Resource drilling in the southern portion of the Massamba Group is underway with substantial widths of magnetite mineralisation delineated.
- Joint Venture signed on the Monte Muande magnetite/phosphate deposit. Collation of historical data completed, Exploration Target estimation underway.
- Continuing exploration campaigns at Changara under a Joint Venture agreement with Southern Iron Ltd.

The 31 December 2010 Interim Financial Report is available on the Company's website [www.baobabresources.com](http://www.baobabresources.com). Extracts from these financial statements are set out below.

**7 March 2011**

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**BAOBAB RESOURCES plc**  
**INTERIM RESULTS FOR THE 6 MONTHS ENDED**  
**31 DECEMBER 2010**

**DIRECTORS' REPORT**

Baobab continues to strengthen and expand its strategic position in Mozambique. Work completed during the reporting period has focused on the Tete iron, vanadium, titanium project where drilling campaigns have improved confidence in the Company's 400 to 700Mt exploration target and prioritised areas for resource definition.

The Company has completed two joint ventures during the period; Southern Iron Ltd is earning in to the Company's Changara base metal and manganese project, and Baobab has the option to earn up to 90% of North River Plc's Monte Muande magnetite/phosphate asset.

During the reporting period the Company also established a £5m equity draw down facility which was successfully trialled during November 2010 with a £420,000 placement.

The Board and management team remain committed to building a long term, sustainable exploration and mining business in Mozambique.

**PROJECT REPORT**

**Tete Iron Ore Project**

The Tete Project is located immediately north of the Zambezi River and the Provincial capital of Tete and comprises three contiguous Exploration Licences that straddle the central portion of the Tete Mafic Complex, covering an area of approximately 632 km<sup>2</sup>.

Tete is fast becoming a major investment centre and an emerging mining and industrial hub of southern Africa. Baobab's project shares licence boundaries with mining majors Vale and Riversdale/Tata Steel who are developing the mega coal projects of Moatize and Benga (combined resources in excess of 8 billion tonnes). Mining is due to commence in 2011 with both thermal and metallurgical coal extracted for domestic consumption and export respectively.

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.

Coal fired power plants have been proposed for Moatize and Benga. Riversdale has announced that the Benga power station will commence production in 2013 at an initial capacity of 500 megawatts with an option to expand to 2,000 megawatts.

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 the World Bank.

International Finance Corporation (IFC), a member of the World Bank group, participated in a placement in November 2008 pursuant to which they became the Company's second largest single shareholder. In January 2009 Baobab consolidated this strategic partnership through a joint venture agreement whereby IFC will maintain a 15% equity in the project by contributing to Tete project funding.

The project contains two areas of magnetite-ilmenite mineralisation; the Singore area to the south and the Massamba Group trend in the north. The 8km long Massamba Group trend is composed of a series of five prospects including Chitongue Grande and Pequeno, Caangua, Chimbala and South Zone that have experienced little or no historical exploration.

Baobab commenced exploration activities at the Tete Project in 2008 completing an aeromagnetic survey, field mapping and sampling and metallurgical test work. The Company focused its 2009 activities on the Massamba Group area.

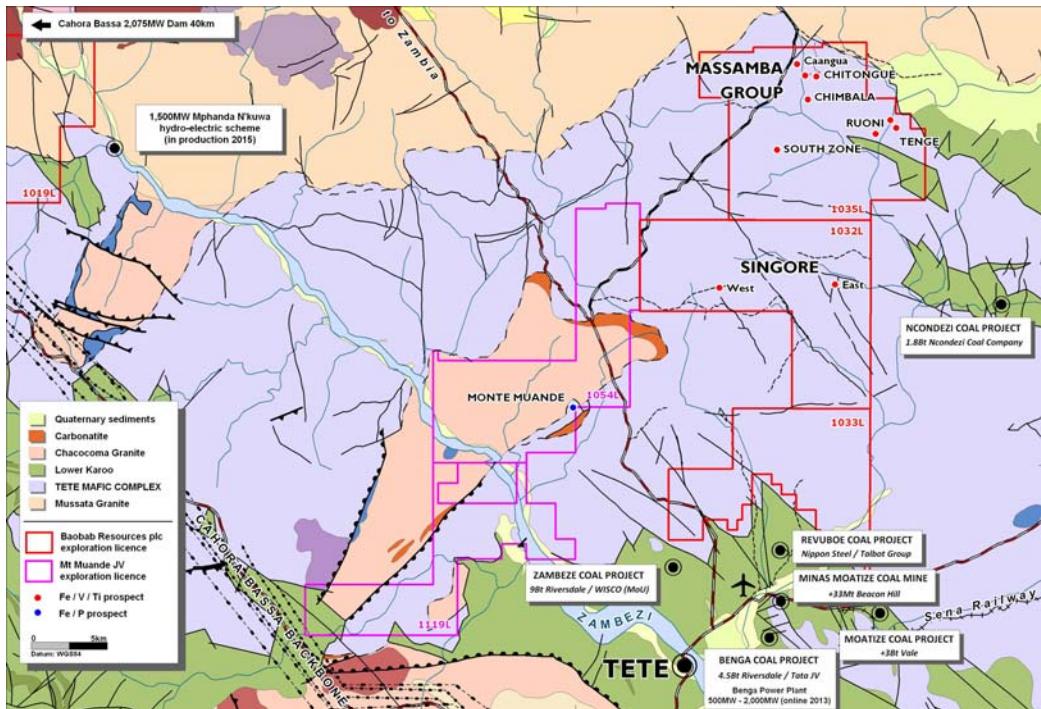


Figure 1: project geology, geophysics (TMI) & infrastructure

### Diamond Drilling

Diamond drilling at the Chitongue Grande prospect, one of five deposits that make up the Massamba Group, commenced in April 2009. The programme was composed of 15 holes (3092m) drilled at an inclination of 60 degrees along 4 northwest-southeast traverses spaced 100m and 200m apart covering a strike length of approximately 500m.

Drilling intersected stacked packages of magnetite-ilmenite mineralisation intercalated with gabbroic and anorthositic country rock. The packages dip at moderate angles of 10 degrees to 30 degrees southeast from surface and are composed of individual horizons, varying in width from 0.5m to 30m. Vertical, fine grained mafic dykes intrude the area. Mineralisation remains open down dip on all sections.

Sample preparation was completed by ACT-UIS laboratories in Tete, Mozambique prior to despatch to ALS Chemex laboratories in Perth, Western Australia for Davis Tube Recovery (DTR) and XRF analysis.

### Resource Estimate

Internationally respected consultants, Coffey Mining Pty Ltd ('Coffey'), were commissioned to complete a resource estimate based on the completed drilling programme at Chitongue Grande. Their estimate of an Inferred Mineral Resource compiled in accordance with the JORC Code is tabulated below.

The mineralised horizons contain internal partings of non-mineralised waste material which have not been sampled. Some of this material may not be preferentially mineable and would therefore act as a dilutant. Without sampling the intermediate waste partings, it has not been possible to predict what the expected weight recovery and recovered grades might be. However, based on the completed estimation, the expected average recovery for the magnetite portion of the mineralised material will be in the order of 20% with the average concentrate grade in the order of 63.7% Fe, 0.68% V2O5, 4.86% TiO2, 1.3% SiO2, 2.75% Al2O3, 0.001% P and 0.37% S.

**Tete Iron Ore Project  
Chitongue Grande Titano-Magnetite Prospect**

**Mineral Resources  
Grade Tonnage – 15<sup>th</sup> September 2009**

**Reported within Material Type Horizons (Fresh, Transitional, Oxidised)  
Whole Rock Grade Estimates Derived by Ordinary Kriging**

**No Lower Grade Cutoff Applied**

**Resource Classification Based on JORC Code (2004) Guidelines**

Resource Classification	Material Type	Tonnage (Mt)	Fe (%)	V <sub>2</sub> O <sub>5</sub> (%)	TiO <sub>2</sub> (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)	CaO (%)	K <sub>2</sub> O (%)	MgO (%)	Mn (%)	Na <sub>2</sub> O (%)	S (%)
Inferred	Fresh	42.3	25.1	0.18	9.55	27.9	12.27	0.024	-0.31	4.55	0.72	4.38	0.19	2.20	0.30
	Transition	3.7	26.1	0.19	10.65	28.2	12.69	0.018	1.43	3.71	0.55	2.87	0.17	2.11	0.02
	Oxidised	1.7	27.1	0.20	11.03	27.2	12.65	0.019	1.17	3.50	0.51	2.62	0.18	2.01	0.02
	<b>Total</b>	<b>47.7</b>	<b>25.3</b>	<b>0.18</b>	<b>9.69</b>	<b>27.9</b>	<b>12.32</b>	<b>0.023</b>	<b>-0.12</b>	<b>4.44</b>	<b>0.70</b>	<b>4.19</b>	<b>0.19</b>	<b>2.18</b>	<b>0.26</b>

### **Exploration Target Study**

Coffey also assessed the exploration target potential of the Massamba Group area for iron / vanadium (in the form of magnetite) and titanium (in the form of ilmenite) mineralisation. While the Chitongue Grande drill hole data and resource modelling were used to assist in the characterisation of mineralisation, the resource area was not included in the area of assessment.

Due to the very high magnetic susceptibility of the targeted mineralisation, Coffey elected to utilize the Company's high resolution aeromagnetic coverage as the primary means of assessing the potential, complemented by geological mapping, rock chip sampling and drill hole data.

Southern Geoscience Consultants completed an inversion modelling exercise of the airborne geophysical data, generating three dimensional isosurfaces for a range of magnetic susceptibilities (SI). Coffey compared the isosurfaces with the resource model at Chitongue Grande and concluded that the magnetic susceptibilities of 0.25SI and 0.3SI best encapsulated the interpreted mineralisation.

Coffey has used the 0.25SI and 0.3SI isosurfaces to digitise volumes to 250m below surface and model a range of tonnages using a density of 3.2 and a gangue discount of 40% (as presented below). An exclusion zone, with a radius of 1.2km centered on the Chitongue Grande resource, was not included in the modeling. Coffey elected not to model nor report grades in this study.

<b>MASSAMBA GROUP AREA</b>			
<b>Indicative Tonnages (Excluding Chitongue Grande Resource area)</b>			
<b>Magnetic Susceptibility (SI)</b>	<b>To Depth (m)</b>	<b>Density (g/cm<sup>3</sup>)</b>	<b>Tonnage (Mt - rounded)</b>
0.25	-250	3.2	700
0.3	-250	3.2	400

*The information in this report relating to exploration targets should not be misunderstood or misconstrued as an estimate of Mineral Resources or Ore Reserves. Hence the term(s), Resource(s) or Reserve(s) have not been used in this context. The potential quantity and grade is conceptual in nature, since there has been insufficient work completed to define them beyond exploration targets and that it is uncertain if further exploration will result in the determination of a Mineral Resource, in cases other than the Chitongue Grande deposit.*

### **Conceptual Scoping study**

Coffey was then commissioned to complete a desk top scoping study based on the drill hole analytical results, 2008 bulk sample test work and limited petrographic analysis of drill core.

The preliminary petrography report and Davis Tube Recovery (DTR) analysis of Chitongue Grande drill core demonstrated amenability to the production of two separate concentrate products through a primary Low Intensity Magnetic Separation (LIMS) circuit, followed by the re-processing of the non-magnetic tails through a gravity separation and High Intensity Magnetic Separation (HIMS) circuit. The concentrate characteristics would be:

- **LIMS:** a high grade magnetite ferro-vanadium concentrate grading 67% - 70% Fe, 0.6% - 1.0% V<sub>2</sub>O<sub>5</sub> and 1.3% to 3.5% TiO<sub>2</sub> at a mass recovery of 20 - 25%. All other deleterious elements would be within acceptable limits.
- **HIMS:** an ilmenite concentrate grading 50% TiO<sub>2</sub> and 10% - 15% Fe at a mass recovery of 8% - 14%

Although the Chitongue Grande results indicated a 20% to 25% mass recovery, the bulk sampling test work from Chitongue Pequeno and Caangua prospects and 2010 drilling in the Chimbala and South Zone areas reported considerably higher mass recoveries of up to 50%. It is considered that significant improvement of the overall mass recovery may be achieved, to the moderate detriment of the concentrate quality, if the Chitongue Grande feed is blended with other, high recovery feed stocks in the proposed processing plant.

The study concluded that there were a number of processing options that could be applied to the Tete deposit and that there was considerable upside that may yet result from further optimisation of various processing route options via laboratory test work.

Coffey also completed a financial modelling exercise, drawing together the results of the resource estimate and exploration target assessment and mineral process analysis. Additional inputs were based on a suite of industry standard assumptions.

Based on the parameters outlined below, the analysis indicated viable project economics in the mining and processing of magnetite and ilmenite concentrates for export from a resource base of 300Mt and at significantly discounted iron ore and titanium prices.

Coffey Mining Scenario Parameters	
Resource Base:	300Mt
Mill through-put:	10Mtpa
Mine Life:	30y
Magnetite con production:	3Mtpa
Magnetite con grade:	69% Fe / 0.8% V <sub>2</sub> O <sub>5</sub>
Ilmenite con production:	1.2Mtpa
Ilmenite con grade:	50% TiO <sub>2</sub> / 12% Fe

Estimated Costs (fob)	
Capital Expenditure:	US\$542m
Operational Expenditure:	US\$34/t (concentrate)
Transport (rail/port):	US\$21/t (concentrate)

Commodity Prices	
Iron ore:	\$0.90/dmtu
V <sub>2</sub> O <sub>5</sub> (assuming a 15% credit)	US\$32/kg
TiO <sub>2</sub> :	US\$80/t (concentrate)

Due to the project's unique access to both low tariff hydro-electric power and coking coal, an additional desktop study was commissioned to review opportunities of further on-site processing through scenarios such as mine-mouth pelletising and smelting. The results of the study, although based on preliminary data only, indicated robust project fundamentals that need to be clarified and expanded upon during the pre-feasibility and definitive feasibility phases.

A second phase of systematic metallurgical test work commenced in December 2010. The test work, based on representative samples of all recognised ore domains, is focused on fine tuning mineral processing flow sheets as well as completing standard geotechnical analysis and comminution classifications.

### **Scout Diamond Drilling Programme**

A scout drilling programme, designed to assess the Chimbala and South Zone prospects of the Massamba Group trend, was completed during 2010 for an aggregate total of approximately 7,500m. The purpose of the campaign has been three-fold: to improve confidence in the Company's Exploration Target, prioritise areas for resource drilling and to clarify geological domains for continued metallurgical test-work. Figure 2 presents the magnetic signature of the Massamba Group Trend with the Chitongue Grande resource drilling, scout diamond drill hole locations in the Chimbala and South Zone areas and the ongoing resource reverse circulation (RC) drilling programme at South Zone.

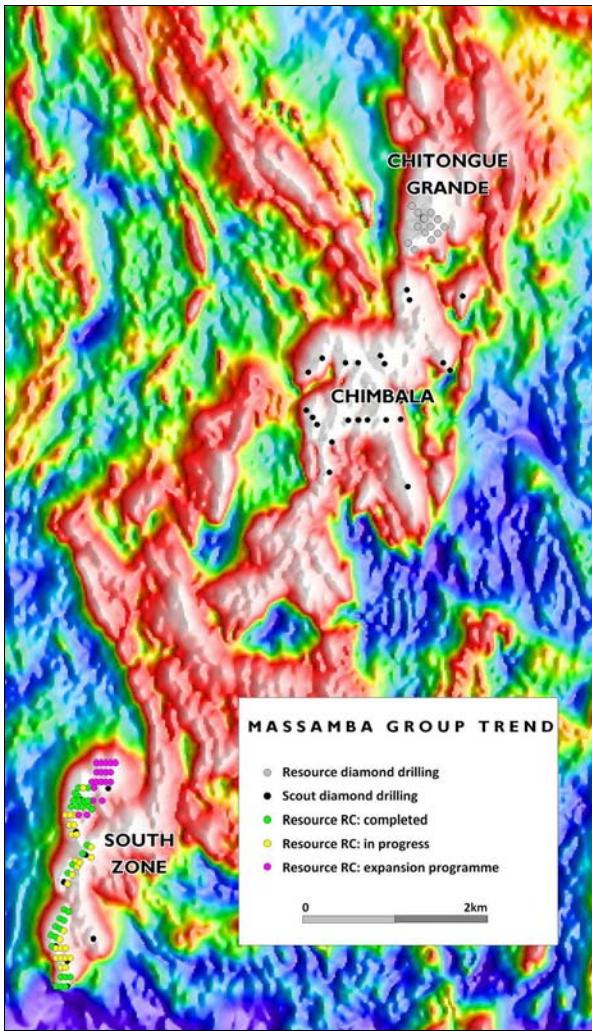


Figure 2: Massamba Group drill hole locations

The **Chimbala prospect** comprises the central portion of the Massamba Group trend and is underlain by a  $3\text{km}^2$  zone of strong aeromagnetic response. Limited historical exploration has taken place in the prospect area. Detailed geological mapping carried out by the Company has outlined iron, vanadium and titanium mineralisation occurring as cumulate sequences within steeply dipping gabbro / anorthosite country rock.

Twenty five diamond drill holes have been completed at Chimbala for an aggregate total of 5,378m. The drilling has intersected steeply dipping packages of mineralisation to be followed up with resource drilling during 2011.

The **South Zone** prospect was first recognised by the Company during its 2008 high resolution aeromagnetic survey, as a 2.5km long north-south zone of high magnetic response immediately south of the known Massamba Group prospects. Mineralisation in the prospect is typically more massive than in the Chitongue Grande resource area. Post-mineralisation tectonics has segregated the prospect into at least 7 discrete fault blocks.

Nine diamond holes have been completed for an aggregate total of 2,127m. Drill holes targeted magnetite-ilmenite outcrops and linear trends of strong magnetic response. All holes have intersected substantial widths of mineralisation of between 20 and 100m (true width).

Sample preparation was carried out by ACT-UIS laboratories in Tete, Mozambique prior to despatch to ALS Chemex laboratories in Perth, Western Australia for Davis Tube Recovery (DTR) and XRF analysis.

#### **Reverse Circulation (RC) Resource Drilling**

Due to the significant widths and interpreted lateral continuity of mineralisation at the South Zone, the prospect has been prioritised for step-out reverse circulation (RC) drilling. The programme is systematically assessing a sequence of seven mineralised zones (Blocks 1 to 7 from south to north) over a strike length of some 2km, drilling on traverses spaced 100m apart.

A total of 50 RC drill holes have been planned for a combined meterage of 7,000m. Thirty three holes were completed for an aggregate total of approximately 4,500m prior to the early onset of the 2010 wet season in Mozambique, at which time the Company was obliged to suspend drilling operations. Drilling recommenced in February 2011, with two rigs currently on site.

To date the drilling programme undertaken in all areas has delineated substantially wider zones of mineralisation than were anticipated. Additionally, recent mapping has identified a 200m long zone of mineralisation, interpreted as the fault offset continuation of Block 7, immediately to the northeast of the South Zone prospect. Consequently, Baobab's exploration management team has designed a 4,000m expansion drilling programme to test the down dip and along strike continuations of the ore zones.

Drilling in Block 7, the northern most target area, over three east-west cross sections and an oblique cross section has intersected a stacked, 200m wide sequence of moderately to steeply dipping, heavily mineralised packages over a strike length of more than 300m. Mineralisation remains open both down dip and along strike with potential parallel lodes to the east. A typical cross section is presented in figure 3.

Drilling over two cross sections in the southern limit of the South Zone prospect (Block 1) has also delineated broad zones of magnetite mineralisation. Due to mechanical issues, four of the nine holes drilled into Block 3 failed to reach their target depths with two holes ending in mineralisation. These drill holes will be re-drilled, at the operator's expense in due course.

Sample preparation is being carried out by ACT-UIS laboratories in Tete, Mozambique prior to despatch to ALS Chemex laboratories in Perth, Western Australia for Davis Tube Recovery (DTR) and XRF analysis. Results to date have demonstrated an overall improvement in head grade and mass recovery (31% and 29% respectively) with an average concentrate grade of 60% Fe.

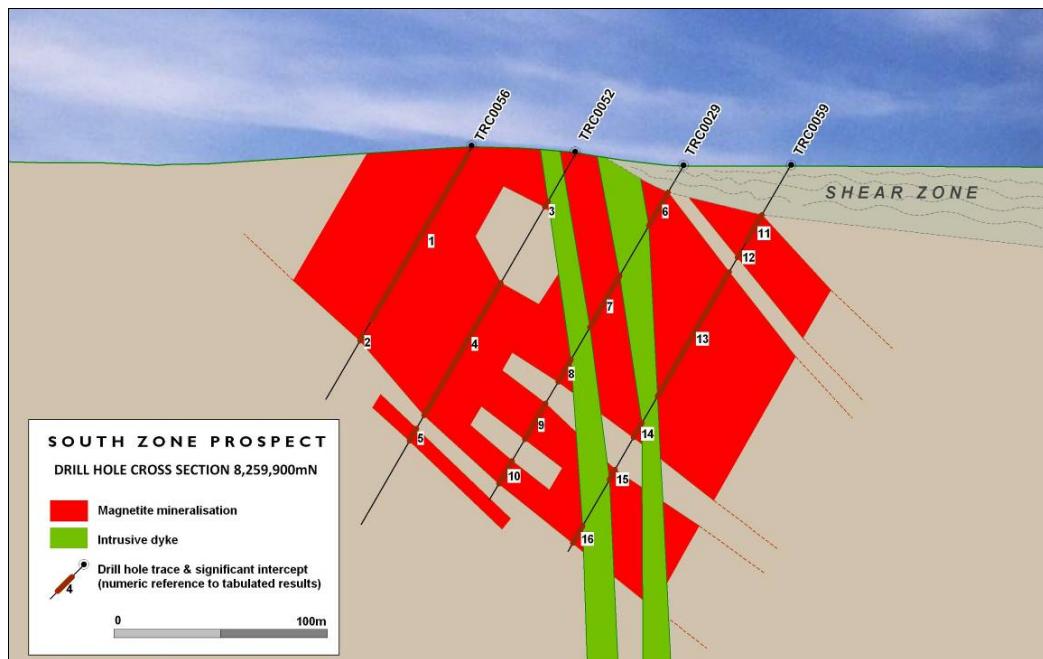


Figure 3: Typical Block 7 cross section

### Satellite Prospects

The **Singore Prospect** area lies approximately 12km to the south and southeast of the Massamba Group. The area has been divided into two contiguous prospects; Singore West and Singore East. While massive magnetite-ilmenite outcrops underlying Singore West have experienced limited historical exploration (trenching and mapping in the 1960's and 1980's), the Singore East area, where geophysical imaging outlines significant magnetic lineations traceable over distances of up to 6km, remains entirely unexplored.

Baobab commenced reconnaissance field investigations of the Singore East area in 2009, focusing on three linear, northeast oriented, zones of strong magnetic response. Substantial widths of magnetite-ilmenite mineralisation, up to 50m wide, were mapped in detail over a combined strike length of more than 2km.

Characterisation tests using the Davis Tube (DTR) apparatus were conducted on the 26 rock chip samples. The samples returned an average mass recovery of 26.3% with concentrate iron grades averaging 64.0%. Significantly,  $V_2O_5$  grades showed limited variance, averaging 0.99%, which is substantially higher than those reported from the Massamba Group area.

The **Tenge / Ruoni Prospect** area has recently been acquired and lies approximately 10km to the southeast of the Chitongue Grande resource block. The prospect comprises of a series of magnetite-ilmenite ridges with first pass rock chip sampling completed by the Company returning head grades averaging 48.9% Fe. New Resolution Geophysics (NRG) has been contracted to complete a high resolution aeromagnetic and radiometric survey of the new area during February 2011.

### **Coal Potential**

The 1035L tenure immediately south of the Tenge / Ruoni prospect encompasses 11km<sup>2</sup> of a Lower Karoo sub-basin. The major coal deposits in the Moatize basin are of Lower Karoo age, as is the 1.88Bt Ncondezi resource located 10km to the southeast. The Company is unaware of any previous exploration assessing the coal potential of the sub-basin and has commissioned specialists to complete a detailed field review as soon as weather conditions allow in 2011.

### **Forward Programme**

Following on from the *Proof of Concept* work of 2009 and the *Scoping* level exploration of 2010, the Company will be focusing its efforts over the coming months on achieving the targeted global resource inventory of c.300Mt.

Baobab has an aggressive exploration campaign underway for 2011. RC drilling programmes, totaling 25,000m, have been designed to define resources at South Zone, Chitongue Grande extensions and Chimbala. In addition, 8,000m of diamond drilling is scheduled to assess and develop the satellite prospects of Singore and Tenge/Ruoni. Baobab has secured three RC rigs and two diamond rigs to accelerate the work programmes and ensure that the resource milestones are met. An exploration timeline is presented below.

It is the Company's intention to commence a *Pre-Feasibility Study* (PFS) in Q4 2011. Assuming a successful PFS programme, a *Definitive Feasibility Study* (DFS) will be launched in late 2012.

### **Monte Muande Magnetite/Phosphate Joint Venture Project**

In November 2010 Baobab entered into a Joint Venture (JV) with North River Resources plc ('North River') in relation to North River's Monte Muande magnetite/phosphate, base/precious metal and coal project (the 'project') located immediately west of the Company's flagship Tete asset. Baobab has a right to earn up to 90% in the project. Further details of the North River JV are set out below.

The project comprises two exploration licences covering an area of 338km<sup>2</sup> located approximately 25km northwest of the provincial capital of Tete and centred on the Monte Muande magnetite-phosphate deposit. The licences are valid until Q3 2014.

The joint venture represents an excellent opportunity for Baobab to expand and consolidate its position in the Tete area. The Company believes that Monte Muande is an ideal companion asset for the Tete project. The JV also exposes the Company to the rapidly developing phosphate sector where projected demand, driven by a growing population and decreasing per capita arable land, is not being matched by the development of new resources.

The licences are underlain by the Proterozoic aged Chacocoma Granite and flanking Tete Mafic Complex. A chain of lenticular carbonatites of Cretaceous age have intermittently intruded the eastern and northern margins of the Chacocoma Granite. The south-western corner of licence 1119L is underlain by 12km<sup>2</sup> of Lower Karoo lithologies (Figure 1).

Previous exploration has targeted mineralisation within the carbonatite. During the 1980s, the Geological Institute of Belgrade (GIB) conducted exploratory works at the Monte Muande magnetite/phosphate deposit. 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 (Figure 4).

Regrettably sampling of the first phase of drilling and trenching was not systematic. The available analytical results do, however, demonstrate the potential of the deposit. Significant Head Grade intercepts include:

#### *Diamond Drill Holes:*

- D-12: 40.1m @ 23.2% Fe and 4.98% P<sub>2</sub>O<sub>5</sub> from surface
- D-21: 44.1m @ 33.3% Fe and 3.21% P<sub>2</sub>O<sub>5</sub> from 44.4m
- G-16: 62.3m @ 25.1% Fe and 4.74% P<sub>2</sub>O<sub>5</sub> from 13.5m
- H-16: 39.5m @ 22.2% Fe and 5.91% P<sub>2</sub>O<sub>5</sub> from surface
- LM-11.5: 39.6m @ 28.1% Fe and 4.71% P<sub>2</sub>O<sub>5</sub> from surface

#### *Trenches:*

- T-3: 41.5m @ 49.5% Fe and 1.04% P<sub>2</sub>O<sub>5</sub>
- T-11: 71.0m @ 34.7% Fe and 1.56% P<sub>2</sub>O<sub>5</sub>
- T-12: 85.0m @ 40.1% Fe and 2.07% P<sub>2</sub>O<sub>5</sub>

T-13: 57.0m @ 43.2% Fe and 2.41% P<sub>2</sub>O<sub>5</sub>  
T-14: 52.0m @ 39.4% Fe and 3.32% P<sub>2</sub>O<sub>5</sub>

Iron grades are generally higher, and phosphorus lower, in trench samples than in the drill core. This may be a function of the near surface chemical weathering of the marble host rock or reflect different sampling techniques.

Mineral processing test work carried out by GIB indicated that high quality magnetite (>65% Fe) and phosphate rock (>35% P<sub>2</sub>O<sub>5</sub>) concentrates could be generated through low cost gravity and flotation circuits. GIB also estimated resources in excess of 400MT at a head grade of 20% Fe. Baobab is unable to confirm the veracity of the resource estimation or test work methodologies at this stage and investors are advised to treat the figures with due caution.

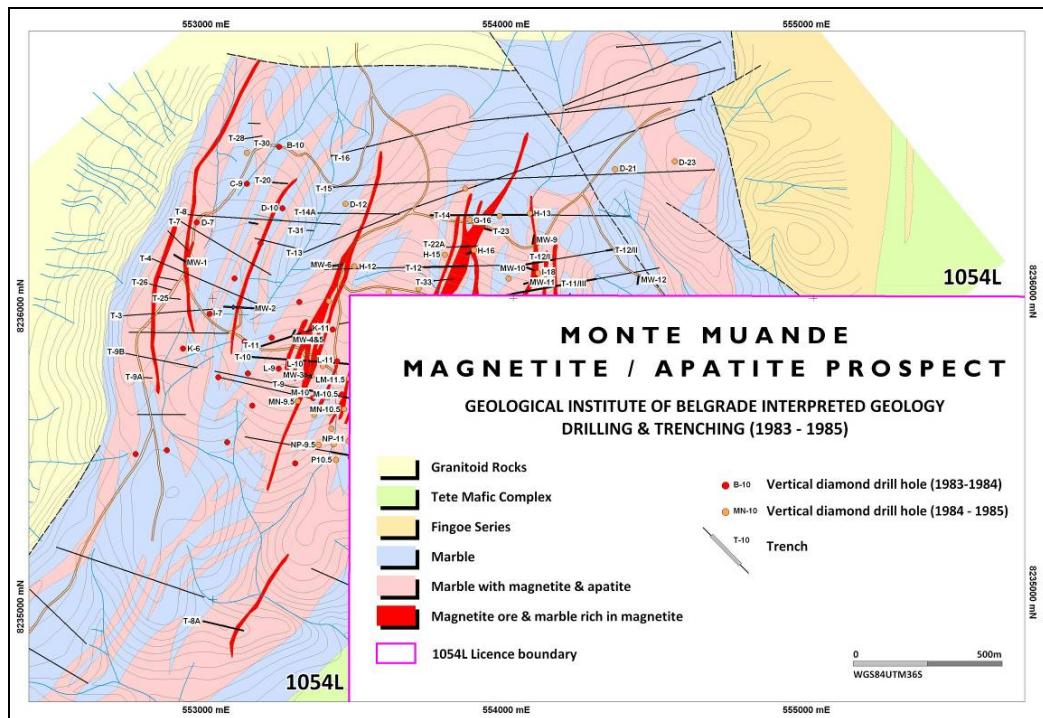


Figure 4: GIB work area

More recently, Omega Corp (and latterly Mavuzi Resources) completed detailed exploration programmes investigating the uranium, gold, copper and coal potential of the area.

During 2006-2007, Omega Corp completed a detailed soil geochemical survey over an area of 19km<sup>2</sup> extending from the Monte Muande deposit in the northeast to the southern limit of the 1054L licence boundary, 9km to the southwest. The sampling grid overlies a robust, linear magnetic trend marking the margin of the Chacocoma Granite.

Contouring of the iron (Fe) and phosphorus (P) soil analyses has delineated a corridor of >15% Fe and >1% P anomalous extending from the GIB work area 4km to the southwest. The geochemistry also outlines a discrete 2,500m x 400m copper (Cu) in soil anomaly immediately west of the southwestern limit of the Fe/P corridor, overlying a parallel magnetic trend (Figures 3 and 4). Both sets of anomalies remain undrilled.

The soil geochemistry also identified the Boa Viseau gold anomaly, located centrally within the survey area. Boa Viseau was subsequently diamond drilled in late 2007, returning a best intercept of 6.40m @ 2.01g/t Au from 46.10m (0.5g/t Au cut-off).

Mavuzi Resources completed a preliminary review of the coal potential of the 12km<sup>2</sup> of Lower Karoo lithologies underlying the southwestern corner of 1119L. Field work identified evidence of coal exposed in river banks along the Mufa River. No further work was completed.

### Forward Programme 2011

The Company has completed the compilation of historical work and handed over the data pack to Coffey, which has been commissioned to review the data and associated reports to estimate a magnetite/phosphate Exploration Target for the Monte Muande area. Coffey's metallurgical team will also make preliminary investigations into potential mineral processing flow sheets to generate discrete magnetite and phosphate concentrate products.

Baobab has scheduled an initial phase 2,000m of diamond drilling at the Monte Muande deposit to commence in Q2 2011.

Baobab has also commissioned Mozambique consultants Gondwana Consultorias Lda to complete a detailed field assessment of the coal potential underlying 1119L.

#### **Details of North River Joint Venture**

North River is an AIM listed multi commodity resource development company, focussed on southern Africa. Its current portfolio includes significant gold, base metal and uranium assets in Namibia and uranium, gold and copper assets in Mozambique. North River has an active development plan with the aim of generating production in the near term. North River is approximately 45% owned by AIM listed Kalahari Minerals plc.

Baobab is actively developing iron / vanadium / titanium resources at its Tete Project in Mozambique. With a view to consolidating its strategic position in the Tete area, the Company approached North River with the objective of entering into an unincorporated Joint Venture relationship for the purpose of undertaking exploration activities at the Muande Project and, subject to exploration success, developing mining operations.

A legally binding Heads of Agreement outlines a three stage investment to earn an increasing participatory interest in the Project. North River has the option to participate pro-rata at both Stage 2 and 3 to maintain their 40% interest in the Project.

- Stage 1 – Baobab commits to funding a First Work Programme at a cost of not less than US\$625,000 over a period of not more than 12 months. The work programme will include 2,000m of diamond drilling. Baobab's participatory interest in the Project upon the completion of Stage 1 will be 60%.
- Stage 2 – Subject to having completed the First Work Programme satisfactorily Baobab shall have the exclusive right to undertake a Pre-Feasibility Study over a period of not less than 12 months. Against Baobab having completed the Pre-Feasibility Study, its participatory interest in the Project shall increase to 75% (if North River elects not to participate).
- Stage 3 – Upon completion of the Pre-Feasibility Study, Baobab will have the option to increase their participatory interest by an additional 15% (to 90% if North River elects not to participate) by undertaking and funding a Definitive Feasibility Study over a period of not less than 18 months.

Baobab has been nominated as the operator of the Joint Venture, reporting to a management committee represented by both parties to the Joint Venture.

#### **Mundonguara Copper/Gold/Nickel Project**

During 2008 the Company announced a Stage 1 JORC Inferred Mineral Resource Estimate on the 1km long Mine portion of the Mundonguara Project of 3.1Mt @ 1.4% copper, 0.11g/t gold, 2.1g/t silver.

This resource estimate, in conjunction with a soil geochemical survey, geophysical interpretation, trenching and RC drilling results indicate that the Mundonguara System is significantly larger than previously recognized, with mineralization remaining open at depth and along strike.

Potential for significant tonnages of ore exists in three areas:

- Down plunge extensions of exploited ore zones within the mine where drilling has confirmed their continuity.
- Western strike extension of the System for an additional +2km.
- Structurally off-set continuations of the mine sequence approximately 2.5km to the northeast where MMI soil geochemical sampling has identified copper anomalies of a similar tenor as those overlying the mine. These continuations represent a further 1.5km of strike potential.

A large footprint nickel in soil anomaly, supported by Induced Polarity (IP) geophysics, has been defined over a strike length of c.3km immediately south of the mine. Nickel analysis in drill, channel and trench sampling has recorded significant intercepts of up to 0.72% Ni.

With increasing global demand in the base metals sector (in particular copper and nickel) and developing supply deficits, Baobab recognises the strategic opportunity Mundonguara represents and the urgent requirement to rapidly progress the asset. Baobab has scheduled diamond and RC drilling during the latter half of 2011 and is actively seeking a strategic investment partner to accelerate activities.

## **Changara Broken Hill Type Base Metal & Manganese Project**

The Changara project comprises four 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.

In July 2010, Baobab announced that it had entered into a Joint Venture with Southern Iron. Southern Iron is an Australian based, private company building a portfolio of manganese and iron assets in southern Africa. In pursuit of this objective, Southern Iron approached Baobab's wholly owned Mozambique subsidiary, Capitol Resources Limitada, with the objective of entering into an unincorporated Joint Venture relationship for the purpose of undertaking exploration activities at the Changara Project and, subject to exploration success, developing mining operations.

A legally binding Heads of Agreement outlines a four stage investment to earn an increasing participatory interest in the Project:

- Stage 1 – Southern Iron commits to funding a First Work Programme at a cost of not less than US\$300,000 over a period of not more than 12 months. Southern Iron's participatory interest in the Project upon the completion of Stage 1 will be 0%.
- Stage 2 – Subject to having completed the First Work Programme satisfactorily, Southern Iron shall have the exclusive right to undertake and fund a Second Work Programme at a cost of US\$1.2m over a period of not more than 18 months. Southern Iron's participatory interest in the Project upon the completion of Stage 2 will be 50%.
- Stage 3 – Subject to having completed the Second Work Programme satisfactorily, and subject to exploration success, Southern Iron shall have the exclusive right to undertake and fund a Pre-Feasibility Study over a period of not less than 12 months. Against Southern Iron having completed the Pre-Feasibility Study, its participatory interest in the Project shall increase to 65%.
- Stage 4 – Upon completion of the Pre-Feasibility Study, Southern Iron will have the option (under the mutual agreement of both Parties) to increase their participatory interest to 80% by undertaking and funding a Definitive Feasibility Study over a period of not less than 18 months.

Southern Iron has been nominated as the operator of the Joint Venture, reporting to a management committee represented by both Parties. Due to Baobab's extensive exploration experience and logistical support in-country, the initial phase of exploration will be largely undertaken and supervised by the Company.

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 polymetallic base and precious metal and manganese mineralisation and hosts numerous occurrences of zinc, lead, manganese, iron ore, fluorite, copper and silver.

During Q4 2008, Baobab completed an extensive soil geochemistry survey covering an area of 380km<sup>2</sup> within three of the Changara exploration licences (representing approximately 70% of the total project area). Interpretation of the results identified a series of multi-element (lead, zinc, manganese, ±copper) targets coincident with prospective geological settings.

Work completed during the reporting period extended the geochemical survey to cover areas to the northwest. The work programme will be completed during the first half of 2011.

## **Greenfield Projects**

A comprehensive stream sediment programme was completed over the **Sussundenga/Bandire** Project area (lode gold targets) during 2009. A review of the data downgraded the potential of the northern three licences and consequently two were relinquished and a third partially surrendered during the reporting period. The remaining area requires additional field work and scout drilling.

Geological mapping program is scheduled for the **Senga Senga** licenses (Telfer Type gold/copper model).

It is the Company's objective to secure joint venture agreements in order to accelerate exploration of the greenfields assets.

## **Outlook**

2011 is going to be an exciting year for Baobab and its shareholders. Building on the success of the preceding 24 months, the Company has commenced an aggressive 33,000m exploration campaign focused on defining the targeted global resource inventory of c.300Mt at Tete, on the back of which a Pre-Feasibility study will be launched during Q4 2011. Tete's satellite deposits at Singore and Tenge / Ruoni will also be drill assessed, resulting in either additional resources or an expanded Exploration Target.

An Exploration Target estimate for the Monte Muande magnetite / phosphate deposit will be available in the coming weeks and a scout drilling programme of 2,000m is scheduled to commence in April. The base and precious metal potential of the JV area will also be assessed in detail.

Areas within both the Tete and Monte Muande tenure are prospective for coal. Detailed field reviews will commence in Q2 2011. Should the assessment be positive, Baobab will look to commencing a scout drilling campaign as soon as practicable.

Drilling will be recommence at Mundonguara during the latter half of 2011 and systematic exploration programmes will continue at Changara.

Baobab has set in place a £5m equity draw down facility which, alongside current funds and the IFC 2010 15% contribution, will enable the Company to complete work programmes up to the commencement of a Pre-Feasibility Study at Tete.

Investors may look forward to a regular flow of meaningful news over the coming months as the Company continues to strengthen its position in Mozambique and drive projects towards development.

**Ben James**  
**Managing Director**

7 March 2011

**Competent Persons Statement**

*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.*

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS ENDED 31 DECEMBER 2010**

	Consolidated 6 Months Ended 31 Dec 10 (Unaudited) GBP	Consolidated 6 Months Ended 31 Dec 09 (Unaudited) GBP	Consolidated Year Ended 30 June 10 (Audited) GBP
<b>Continuing operations</b>			
Other Operating Income	-	-	-
Exploration Expenses	(1,164,546)	(434,843)	(1,367,043)
Administrative Expenses	(392,683)	(373,683)	(673,273)
<b>Loss from operations before tax</b>	(1,557,229)	(808,526)	(2,040,316)
Interest received	34,919	21,541	79,140
<b>Loss before tax</b>	<u>(1,522,310)</u>	<u>(786,985)</u>	<u>(1,961,146)</u>
Income tax expense	-	-	-
<b>Loss for the period attributable to equity holders</b>	<u>(1,522,310)</u>	<u>(786,985)</u>	<u>(1,961,146)</u>
<b>Other comprehensive income</b>			
Foreign currency translation differences	366,585	141,276	156,529
<b>Other comprehensive income/(loss) for the period, net of tax</b>	<u>366,585</u>	<u>141,276</u>	<u>156,529</u>
<b>Total comprehensive loss for the period attributable to equity holders</b>	<u>(1,155,725)</u>	<u>(645,709)</u>	<u>(1,804,617)</u>
 Loss per share (basic and diluted)	 <u>(0.94)</u>	 <u>(0.63)</u>	 <u>(1.38)</u>
Total Number of shares on Issue	163,385,699	158,931,836	158,931,836
Weighted average number of shares	162,700,899	125,669,103	142,082,703

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2010**

	Consolidated 31 Dec 10 (Unaudited) GBP	Consolidated 31 Dec 09 (Unaudited) GBP	Consolidated 30 June 10 (Audited) GBP
<b>Non-Current Assets</b>			
Property, Plant & Equipment	20,809	41,004	27,765
<b>Total Non-Current Assets</b>	<b>20,809</b>	<b>41,004</b>	<b>27,765</b>
<b>Current Assets</b>			
Trade and other receivables	-	338	2,695
Cash and cash equivalents	1,196,093	2,949,946	2,314,967
<b>Total Current Assets</b>	<b>1,196,093</b>	<b>2,950,284</b>	<b>2,317,662</b>
<b>Total Assets</b>	<b>1,216,902</b>	<b>2,991,288</b>	<b>2,345,427</b>
 <b>Equity attributable to the equity holders of the parent</b>			
Share Capital	1,633,863	4,108,325	1,589,318
Share Premium	7,025,075	4,247,623	6,693,242
Reserves – options and warrants	792,205	594,905	773,782
Reserves – foreign currency translation	424,609	42,771	58,024
Accumulated loss	(8,903,613)	(6,207,142)	(7,381,303)
<b>Total Equity</b>	<b>972,139</b>	<b>2,786,482</b>	<b>1,733,063</b>
 <b>Current Liabilities</b>			
Trade and other payables	244,763	204,806	612,364
<b>Total Liabilities</b>	<b>244,763</b>	<b>204,806</b>	<b>612,364</b>
<b>Total Equity and Liabilities</b>	<b>1,216,902</b>	<b>2,991,288</b>	<b>2,345,427</b>

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE 6 MONTHS ENDED 31 DECEMBER 2010**

	Consolidated 6 Months Ended 31 Dec 10 (Unaudited) GBP	Consolidated 6 Months Ended 31 Dec 09 (Unaudited) GBP	Consolidated Year Ended 30 June 10 (Audited) GBP
<b>Cash flows from operating activities</b>			
Net Loss for the period	(1,522,310)	(786,985)	(1,961,146)
Movement in Trade and Other Receivables	2,215	1,218	(947)
Depreciation	7,005	24,397	39,573
Movement in Trade and other Payables	(385,971)	(172,524)	194,869
Mineral Properties Written Off	-	-	-
Currency translation adjustment	202,228	141,280	90,101
Non Cash Benefits	-	73,387	178,877
<b>Net cash used in operating activities</b>	<b>(1,696,833)</b>	<b>(719,227)</b>	<b>(1,458,673)</b>
<b>Cash flows from investing activities</b>			
Purchases of Mineral Properties	-	-	-
Purchases of property, plant and equipment	-	(7,127)	(6,277)
<b>Net cash flows used in investing activities</b>	<b>-</b>	<b>(7,127)</b>	<b>(6,277)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares	495,000	3,285,020	3,285,020
Share Issue Costs	(100,200)	(137,480)	(137,480)
<b>Net cash flows from financing activities</b>	<b>394,800</b>	<b>3,147,540</b>	<b>3,147,540</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,302,033)</b>	<b>2,421,186</b>	<b>1,682,590</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>2,314,967</b>	<b>528,760</b>	<b>528,760</b>
<b>Exchange differences</b>	<b>183,159</b>	<b>-</b>	<b>103,617</b>
<b>Cash and cash equivalents at end of the period</b>	<b>1,196,093</b>	<b>2,949,946</b>	<b>2,314,967</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**NOTES TO THE INTERIM FINANCIAL REPORT**

	Share Capital	Share Premium	Warrants & Option Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£
<b>Balance at 1 July 2009</b>	960,785	4,247,623	521,518	(98,505)	(5,420,157)	211,264
<b>Loss for the year</b>	-	-	-	-	(1,961,146)	(1,961,146)
<b>Foreign exchange translation differences</b>	-	-	-	156,529	-	-
<b>Total other comprehensive loss</b>	-	-	-	156,529	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	156,529	(1,961,146)	(1,804,617)
<b>Shares issued</b>	628,533	2,656,487	-	-	-	3,285,020
<b>Share issue expenses</b>	-	(210,868)	-	-	-	(210,868)
<b>Share based payments</b>	-	-	252,264	-	-	252,264
<b>30-Jun-10</b>	<b>1,589,318</b>	<b>6,693,242</b>	<b>773,782</b>	<b>58,024</b>	<b>(7,381,303)</b>	<b>1,733,063</b>

	Share Capital	Share Premium	Warrants & Option Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
	£	£	£	£	£	£
<b>Balance at 1 July 2010</b>	1,589,318	6,693,242	773,782	58,024	(7,381,303)	1,733,063
<b>Loss for the year</b>	-	-	-	-	(1,522,310)	(1,522,310)
<b>Foreign exchange translation differences</b>	-	-	-	366,585	-	-
<b>Total other comprehensive loss</b>	-	-	-	366,585	-	-
<b>Total comprehensive loss for the year</b>	-	-	-	366,585	(1,522,310)	(1,155,725)
<b>Shares issued</b>	44,545	450,455	-	-	-	495,000
<b>Share issue expenses</b>	-	(118,622)	-	-	-	(118,622)
<b>Share based payments</b>	-	-	18,423	-	-	18,423
<b>31-Dec-10</b>	<b>1,633,863</b>	<b>7,025,075</b>	<b>792,205</b>	<b>424,609</b>	<b>(8,903,613)</b>	<b>972,139</b>

## **Note 1 ACCOUNTING POLICIES**

The interim results are unaudited and do not comprise full accounts within the meaning of Section 434 of the Companies Act 2006. They are prepared under International Financial Reporting Standards Accounting Principles and in accordance with accounting policies set out in the financial statements for the year ended 30 June 2010 and these policies will be used for the year ended 30 June 2011.

## **Note 2 SUBSEQUENT EVENTS**

In January 2011 the Company issued and allotted 3,238,027 Ordinary Shares upon the exercise of 1,000,000 options at a price of £0.0615 per option, 2,086,167 options at a price of £0.06 per option and 151,860 warrants at a price of £0.115 per share.

Further in February 2011 the Company has drawn down £427,000 from the £5,000,000 Equity Line Facility with Dutchess Opportunity Cayman Fund, Ltd. As part of the placement, 2,275,000 ordinary shares at 18.8p will be allotted.

The Company has 168,898,726 fully paid ordinary shares on issue following the issue of these shares.

## **Note 3 DIVIDENDS**

No interim dividend is being paid or proposed.

## **Note 4 LOSS PER SHARE**

Loss per share has been calculated on weight average number of Ordinary Shares in issue.