Baobab Resources plc

Company Number 5590467

ANNUAL REPORT

30 JUNE 2007

Corporate Information

Directors	**Jeremy Dowler** Chairman **Ian Cullen** Managing Director **Brett Townsend** Director & Country Manager **Jonathan Beardsworth** Non Executive Director **Tony Walsh** Non Executive Director
Joint Company Secretary	**Cargill Management Services Limited** 27/28 Eastcastle Street London W1W 8DH
Joint Company Secretary	**Ms Susan Hunter**
Registered Office	27/28 Eastcastle Street London W1W 8DH
Principal place of business	49 Phillimore Street Fremantle WA 6160
Solicitors	**Watson Farley & Williams** 15 Appold Street London EC2A 2HB
Auditors	**Grant Thornton UK LLP** The Explorer Building Fleming Way Manor Royal Crawley RH10 9GT
Nominated Advisor	**Grant Thornton Corporate Finance** Grant Thornton House Melton Street Euston Square London NW1 2EP
Broker	**Fox-Davies Capital Limited** 1st Floor, Whitefrairs House 6 Carmelite Street London EC4Y 0BS

BAOBAB RESOURCES

CHAIRMAN'S STATEMENT

Baobab Resources plc has made significant progress during the year in Mozambique. The permit portfolio has been consolidated and the exploration and resource verification programmes for copper and gold advanced.

The Company now has 23 permits, having acquired 2 permits during the year. In June 2007 the Company issued and allotted 1,000,000 Ordinary Shares as partial consideration for the settlement of an agreement to the purchase of prospecting licences from Strong Investimentos Limitada.

As a junior company with limited but very carefully managed financial resources, Baobab has a highly focused exploration strategy.

This year our attention has centred on the former Mundonguara copper/gold underground mine where initial results are very encouraging, and the Seymour prospect. We are concentrating on the verification, evaluation and expansion of the known resources at Mundonguara and the identification of new targets at Seymour. The work programmes are focused on advancing these projects towards pre-feasibility and bankable feasibility studies through 2008.

The Seymour prospect lies approximately 950m along strike to the west of the Edmundian shaft of the Mundonguara mine. The prospect has shown significant gold and copper results from rock chip samples selected from its historic trenches. These initial results are very positive. Further results from Seymour provide strong additional evidence for the presence of copper and gold mineralisation within highly altered felsic rocks, over 1 km to the west of the Edmundian Shaft.

We are particularly pleased with progress at Mundonguara where a baseline environmental and social study was completed in July 2007 and refurbishment of the surface approaches and underground access which allowed commencement of underground channel sampling and geological mapping. An orientation geochemical soil sampling programme was also completed.

During August 2007 the ever first reverse circulation (RC) drilling programme over the Mundonguara mineralised system commenced. Drilling was designed to test near surface copper and gold oxide mineralisation above the Mundonguara workings, over a strike length of 1.2km and to a depth of approximately 85 metres below surface. A drill section also tested the depth extensions of the Seymour prospect located 1km west of the Mundonguara mine.

In October 2007 the Company announced the commencement of the first underground diamond drilling programme at Mundonguara mine since its closure in 1989. To expedite the evaluation of Mundonguara, the Company purchased and commissioned its own underground drilling equipment.

The Company also now intends to accelerate the exploration and re-evaluation of two iron ore projects located within the Tete Complex in north western Mozambique, following recent encouraging rock chip and trenching assay results

Both of Baobab's iron ore projects are well positioned for future exploitation as they are supported by essential infrastructure, including abundant hydroelectric power, a refurbished railway and the deep water port at Beira. The two iron ore projects represent an exciting new opportunity to explore and appraise what could be a major iron ore deposit.

Baobab continues to keep a tight rein on spending to ensure that optimal amounts are devoted to exploration in Mozambique.

The team has been strengthened with the appointment of Rosendo Puig as Senior Geologist, Mozambique. Mr Puig is heading the Company's regional exploration office at Manica in Western Mozambique.

The Company has also recently appointed a new broker, Fox Davies Capital Limited. Fox Davies has an excellent track record in supporting junior mining and resource companies on AIM that have projects in Africa and an extensive client base that is complementary to our existing one.

We thank our energetic and focused team for their tireless hard work and commitment, and our shareholders for their invaluable and continuing support. We firmly believe that Baobab is poised for further exploration success in 2008.

Jeremy Dowler
Chairman

PROJECT OVERVIEW

Baobab's focus is on developing its highly prospective former mine at Mundonguara and the adjacent Seymour prospect, whilst advancing the exploration portfolio in general. The work programme at Mundonguara has been accelerated with the aim of moving towards the compilation of compliant resource statements and the resumption of mining operations as soon as possible.

Progress on the Mundonguara and Seymour prospects are on target and it is the intention to move the Mundonguara project through staged feasibility studies in 2008. The Company has now also identified an iron ore project in the Tete complex in north-western Mozambique which it is looking to progress rapidly.

At the time of admission to AIM, the Company owned 21 permits and it has since acquired a further 2 permits giving a current total of 23.

In July 2007, the Company appointed Rosendo Puig as Senior Geologist in Mozambique. Mr Puig is leading the Company's technical team in Manica, a role which includes supervision of the resources development and exploration programmes at the advanced copper/gold project at Mundonguara. His appointment has been the key to the successful advancement of the work programme.

At Mundonguara, refurbishment of the surface approaches and underground access has allowed commencement of underground channel sampling and geological mapping. Orientation geochemical soil sampling has also been completed. Following encouraging results from channel sampling at various levels, a diamond drill programme has commenced.

To date over 2,000 one metre channel samples have been collected and despatched to the laboratory. Initial geological inspection has identified laterally continuous massive sulphide bodies up to one metre in width, associated with sheared komatiite. It is anticipated that these intrusive bodies and associated mineralisation will persist to significant depth and complement the higher grade ore zones represented by laterally continuous massive sulphide veins.

The Company purchased and commissioned its own underground drilling equipment and experienced international drilling supervisors are now contracted to plan and manage the drilling programme. The purchase of this equipment has expedited the commencement of the first underground diamond drilling programme at the Mundonguara copper/gold mine since its closure in 1989.

During the first phase of underground drilling, 19 holes are planned for a total of 2,550 metres from the refurbished 8 Level workings. The programme will test the vertical continuity of the high-grade mineralised shoots and the diorite hosted disseminated zones, up to 150 metres below the 8 Level where historical, non JORC compliant, resource estimates completed in 1983 have identified grades between 1.6 - 4.6% copper, 0.32 - 2.99g/t gold and 1 - 63g/t silver from the various mineralised shoots.

3D modelling of the Mundonguara underground workings, complemented by geological and structural data recently collected by the Company, has allowed the precise targeting of the holes, thereby providing very effective geological coverage.

The reverse circulation (RC) drilling has been completed from surface within the copper and gold mineralised corridor of the Mundonguara project. The RC drilling is the first such programme to be conducted over the Mundonguara mine and the inferred along strike extensions. Geological logging of the drill samples has confirmed the presences of the Mundonguara mineralised shear zone at the Seymour prospect, 1 km west of the old mine workings.

Within the historic mine both massive and disseminated chalcopyrite mineralisation has also been intersected within the sheared ultramafic and diorite intrusives.

The initial drilling results are giving considerable encouragement for copper / gold mineralisation.

There have also been very encouraging results from a MMI (mobile metal ions) soil geochemistry survey which was completed at Mundonguara and the brownfield environs. The soil geochemistry has greatly assisted with the geological interpretation of the Mundonguara mineralised system and has identified an exciting suite of high priority multi-commodity targets for drilling in 2008. Further work is required to confirm the merits of MMI over conventional sampling techniques, but results to date indicate that it is the right tool for the job.

Baobab's field team is re-establishing existing historic trenches in the Seymour prospect, which is adjacent to Mundonguara, for detailed sampling and mapping. Previous exploration by Rand Mines in the 1960s focused only on copper and returned an intersection of 16.8m @ 3.8% Cu from a trench cross-cutting the prospect. No previous gold exploration had been carried out over this prospect.

At Seymour, gold and copper results from trench sampling have proven to be significant. In September 2007, the Company's geological team completed the refurbishment, geological mapping and channel sampling of the historic trenches over known mineralised zones.

Geological logging of samples returned from the reverse circulation drilling programme over the Seymour prospect confirmed the strike extensions of the Mundonguara shear zone with disseminated sulphide mineralisation.

A series of RC drill holes to transect the Seymour prospect where outcrop mapping and rock chip results have confirmed copper and gold mineralisation have been completed. Mineralisation is associated with felsic intrusives thought to represent highly altered and weathered derivatives of the diorite bodies hosting disseminated mineralisation within the mine. The 10 drill hole RC programme was designed to test the down dip extensions of the surface expressions of copper and gold mineralisation previously reported from trench sampling.

Very encouraging assay results have been received from three drill holes recently completed at the Seymour copper-gold prospect.

In addition, the Company is developing its iron ore projects. These incorporate a number of prospects located over two contiguous tenements within the Tete Complex of north-western Mozambique. The Singore Project lies 30 km due north of Tete whilst the Chitongue Project, which includes several prospects, is located 55 km due north of Tete. With these programmes it is intended to accelerate the exploration and re-evaluation of two iron ore projects located within the Tete Complex following encouraging rock chip and trenching assay results.

Overall, progress during the year has been very positive and most of the Company's targets have been met or exceeded. New projects have been identified and the results to date from Mundonguara and its surrounding area have been very encouraging. The aim in 2008 is to confirm a resource and to complete feasibility studies on the Mundonguara and Tete prospects.

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 30 June 2007.

Principal activity

During the financial year the principal activity of the company was the investigation and analysis of geological opportunities in Mozambique.

Baobab Resources plc has four 100% owned subsidiary companies.

Maputo Minerals Limited (Registered in the British Virgin Islands)
Mocambique Resources Limited (Registered in the British Virgin Islands)
Capitol Resources Lda (Registered in Mozambique)
Baobab Mining Services Pty Ltd (Registered in Australia)

Baobab Resources plc owns all the shares in Maputo Minerals Limited which owns 50% of the shares in Capitol Resources Lda. Maputo Minerals Limited owns all the shares in Mocambique Resources Limited which owns 50% of the shares in Capitol Resources Lda.

Capitol Resources Lda holds a 100% interest in 23 Mozambique prospecting licenses with 3 under application.

Baobab Resources plc owns all the shares in Baobab Mining Services Pty Ltd which is providing the management services for the exploration program in Mozambique.

During the year the company has further developed the areas of interest under these licences.

Results and dividends

The loss for the year ended 30 June 2007 after income tax was GBP 1,550,663.

No dividends have been paid during the year and the Directors have not recommended that any dividend be paid.

Business review

A review of the business is contained in the Chairman's statement.

Financial risk management objectives and policies

The company uses various financial instruments these include loans, cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below. To date the company has not had significant financial risks for the directors to use hedging or other financial risk minimising transactions.

The main risks arising from the company's financial instruments are market risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risk encompasses four types of risk: being currency risk, liquidity risk, interest rate risk and credit risk. In the company's operations to date, of the three market risks, currency risk is the only risk to which the company has been exposed.

Currency risk

The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency will be matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated with forecast transactions, will be hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk

To date the company has financed its operations through equity raisings and has not been subject to any interest rate risk, other than on cash deposits.

Credit risk

The company's principal financial assets are cash. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

Exchange controls/distributions controls

Baobab plc did not at any time during the financial year remit funds from Mozambique.

Key performance indicators (KPI's)

- The share price has not dropped below the listing price since listing on AIM.
- The company had increased the tenement holdings from 21 leases to 23 leases since listing on AIM.
- There has been 100% attendance at monthly Board meetings.

- From a financial control viewpoint actual expenditure was within budget forecast.

The directors remuneration is based on fixed annual remuneration. There is no performance based component to the directors remuneration.

Key risks and mitigation

The key risks are: funding, volatility of mineral prices, political risk, labour risk, exploration risk, trading and liquidity in ordinary shares, general economic conditions which may affect exploration companies.

These risks are minimised through the development of sound management practices.

Creditors payment policy

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and endeavour to abide by them. Trade creditors at year end amount to 55 days (2006: 38 days) average supplies for the year.

Future developments

The company is continuing exploration in Mozambique.

Post balance sheet events

Since 30 June 2007, the Directors are not aware of any matter or circumstance that has significantly or may significantly affect the operations of the company or the results of those operations, or the state of affairs of the company in subsequent financial years.
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Corporate

The Company is limited by shares and domiciled in England. There were two employees as at the year end other than the five directors.

Directors

The directors during the year were as follows:

Alexander (Jon) Irwin Crowe (resigned 04/01/2007)
Jeremy Dowler
Ian Cullen (appointed 16/08/06)
Brett Townsend (appointed 16/08/06)
Jonathan Beardsworth (appointed 30/09/06)
Tony Walsh (appointed 16/08/06)

Information on directors

Jeremy Dowler - Non Executive Chairman

Jeremy's career as a Chartered Accountant has taken him from the City of London to South Africa and Australia in senior administrative positions in marketing, publishing and resources. Jeremy has served on the Boards of various resource companies and was a founding shareholder and Finance Director of Platmin Limited.

Ian Cullen - Managing Director

Ian has been involved in mineral exploration and development for over 30 years and graduated as a geologist from the University of Western Australia in 1975. He has held senior management positions with major resources companies including Chief Geologist to Newmont Mining Corporation, Chief Consulting Geologist to Newcrest Mining Limited and Principal Geologist to Robe River Iron Associates and Pilbara Iron Pty Ltd (a member of the Rio Tinto group). He has exploration experience in Australia, Greece and Zambia and has been involved in the exploration and development of a wide range of commodities including gold and base metals. He brings to the company a wealth of operating knowledge. On 18 August 2006, Ian was appointed as a director of Capitol Resources LDA.

Brett Townsend - Director, Country Manager, Mozambique

Brett is a geologist with 19 years of Australian and international experience in the minerals, oil and gas and allied industries. He has held senior management positions within a range of industries including: Director of Resource Consultants International Pty Ltd, General Manager of Australian Drilling Tools and Manager of the exploration division of J.O Clough Pty Ltd. Brett has also worked as a Financial Planner including several years with Westpac Banking Corporation. Brett holds a Bachelor of Science degree from The University of Western Australia and is a member of the Australian Institute of Geoscientists. On 18 August 2006, Brett was appointed as a director of Capitol Resources.

Jonathan Beardsworth - Non-executive Director

Jonathan is CEO of Metals Exploration Plc. Previously he was head of the London office of Standard Bank Plc's Mining and Metals team. In the last 12 years he has participated in and led a variety of M&A and strategic advisory assignments in the mining industry worldwide.

Tony Walsh - Non-executive Director

Tony is a Chartered Accountant who, after gaining experience with Ernst & Young in Dublin and Perth, joined the Australian Stock Exchange as a senior advisor and later Assistant Manager, Issuers. Tony brings to the Board a significant understanding of corporate governance requirements and related reporting, commercial and accounting issues.

Statement of directors responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any
time the financial position of the company and to enable them to ensure that the financial statements comply with
the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking
reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Ian Cullen

Ian Cullen
Director
18 December 2007

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BAOBAB RESOURCES PLC

We have audited the group financial statements of Baobab Resources plc for the year ended 30 June 2007 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated cash flow statement, the consolidated statement of changes in shareholders' equity and notes 1 to 24. These group financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the parent company financial statements of Baobab Resources plc for the year ended 30 June 2007.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the group financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view and whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited group financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Project Overview. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2007 and of its loss for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - going concern basis of preparation

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the 'basis of preparation - going concern' accounting policy in note 2 of the group financial statements. This concerns the uncertainty over the ability of the group to raise further equity to fund its operations as required. In view of the significance of these uncertainties we consider that they should be drawn to your attention, but our opinion is not qualified in this respect.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
Gatwick
18 December 2007

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Year ended 30 June 2007 £	Period ended 30 June 2006 £
Other Operating Income	3	22,038	421
Administrative Expenses		(1,572,701)	(127,972)
Loss from operations before tax	5	(1,550,663)	(127,551)
Income tax expense	7	-	-
Loss for the period attributable to equity holders of the parent		(1,550,663)	(127,551)
Loss per share (basic and diluted) (2007 Pence)	8	(4.9p)	(£63,776)

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2007

	Note	Year ended 30 June 2007 £	Period ended 30 June 2006 £
Non-Current Assets			
Property, plant and equipment	9	77,458	9,415
Mineral Properties	10	-	-
Total Non-Current Assets		77,458	9,415
Current Assets			
Trade and other receivables	13	44,106	2,102
Prepayments	12	12,147	31,366
Cash and cash equivalents		1,183,733	50,982
Total Current Assets		1,239,986	84,450
Total Assets		1,317,444	93,865
Current Liabilities			
Trade and other payables	14	127,021	14,593
Total Liabilities		127,021	14,593
Net Assets		1,190,423	79,272
Equity			
Share Capital	15	488,195	205,230
Share Premium	15	2,004,308	-
Reserves - Options	16	393,630	-
Reserves - Foreign Currency Translation	17	(17,496)	1,593
Retained Earnings		(1,678,214)	(127,551)
Total Equity		1,190,423	79,272

The financial statements were approved by the board of directors and authorised for issue on 18 December 2007. They were signed on its behalf by:

Ian Cullen, Director
18 December 2007

BAOBAB RESOURCES

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Year ended 30 June 2007 £	Period ended 30 June 2006 £
Net cash used in operating activities	18	(463,449)	(144,467)
Cash flows from investing activities			
Purchases of property, plant and equipment		(75,815)	(9,781)
Purchases of mineral properties		(515,258)	-
Net cash flows used in investing activities		(591,073)	(9,781)
Cash flows from financing activities			
Share issue costs		(297,859)	-
Proceeds from issues of shares		2,561,538	1
Proceeds from share applications		-	128,823
Proceeds from borrowings		(76,406)	76,406
Net cash flows from financing activities		2,187,273	205,230
Net increase in cash and cash equivalents		1,132,751	50,982
Cash and cash equivalents at beginning of the period		50,982	-
Cash and cash equivalents at end of the period		1,183,733	50,982

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 30 June 2007

	Share Capital £	Share Premium Reserve £	Option Reserve £	Translation Reserve £	Retained Earnings £	Total Equity £
At date of incorporation	-	-	-	-	-	-
Issue of Shares	1	-	-	-	-	1
Net loss for the year	-	-	-	-	(127,551)	(127,551)
Loan from Mineral Securities Limited recognised directly in equity.	76,406	-	-	-	-	76,406
Share application funds received recognised directly in equity.	128,823	-	-	-	-	128,823
Translation Reserves	-	-	-	1,593	-	1,593
Balance at 30 June 2006	205,230	-	-	1,593	(127,551)	79,272
Balance at 1 July 2006	205,230	-	-	1,593	(127,551)	79,272
Net loss for the year	-	-	-	-	(1,550,663)	(1,550,663)
Share issue costs	-	(297,859)	-	-	-	(297,859)
Issue of shares	488,194	2,302,167	-	-	-	2,790,361
Issue of Options	-	-	393,630	-	-	393,630
Translation Reserves	-	-	-	(19,089)	-	(19,089)
Loan from Mineral Securities Limited recognised directly in equity	(76,406)	-	-	-	-	(76,406)
Share application funds received recognised directly in equity	(128,823)	-	-	-	-	(128,823)
Balance at 30 June 2007	488,195	2,004,308	393,630	(17,496)	(1,678,214)	1,190,423

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General Information

Baobab Resources plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in Note 4 and in the directors report on pages 7 to 11.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the group operates. The functional currency in Mozambique which is translated to pounds sterling is Mozambican metical. Foreign operations are included in accordance with the policies set out in Note 2.

2. Significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and issued by the IASB. The financial statements have been prepared on the historical cost basis.

The principal accounting policies are set out below.

Going Concern

The group meets its day to day working capital requirements through a positive cash balance and has no borrowing facilities at present. The group has incurred losses in the year. In common with other junior mining companies, Baobab Resources is reliant on raising further funds periodically through equity finance or possibly debt facilities.

The company set up an operation in Mozambique in the year and is in the process of undertaking exploration and the development of mineral properties.

The nature of the group's business is such that there can be considerable unpredictable variation in the timing of cash flows. Bearing this in mind, the directors' have prepared projected cash flow information for the period ending 31 December 2008. The projections show a requirement to raise further funds of approximately £1.5 million during 2008 (which is in addition to the £1.15 million recently raised in December 2007 as described below) in order to meet its planned exploration and development programme in that period. However if the funds raised are more or less than this amount, the directors will review and amend their plans accordingly.

On 13 December 2007, the Company completed a fund raising of approximately £1.15 million before expenses through a share placing of 9.97 million shares at 11.5p per share.

On the basis of the directors' projections, the directors consider that the group will continue to operate within the currently available funds including those from the future fundraising. The margin of facilities over requirements is not large and there can be no certainty that an issue of equity shares would be successful. Nevertheless, the directors consider it is appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from the inability to raise additional funding.

Post balance sheet events

On 13 December 2007, the Company completed a fund raising of approximately £1.15 million before expenses through a share placing of 9.97 million shares at 11.5p per share.

Standards issued but not yet effective

At the date of authorisation of these financial statements, other than the Standards and interpretations adopted by the Group in advance of their effective dates, the following interpretations were in issue but not yet effective:

- IFRIC 11 IFRS 2: Group and Treasury Share Transactions (effective 1 March 2007);
- IFRIC 12 Service Concession Arrangements (effective 1 January 2008); and
- IFRIC 14 IAS 19 - The limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective 1 January 2008).

The directors anticipate that all of the above interpretations will be adopted in the Group's financial statements for the period commencing 1 July 2007 and that the adoptions of those interpretations will have no material impact on the financial statements of the group in the period of initial application.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) made up to 30 June each year. Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The company obtains and exercises control through voting rights.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated where there is no evidence of any impairment.

Critical judgements in applying accounting policies

There were no significant judgements made by management in applying their accounting policies during the year.

Key sources of estimation uncertainty

There were no key assumptions concerning the future during the year.

Revenue Recognition

Interest income is accrued on a timely basis by reference to the principal outstanding and its effective interest rate.

Foreign Currencies

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transaction. At balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the group's various operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are classified as equity and transferred to the group's translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excluded items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary difference to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Property, plant and equipment

Cost and valuation
Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation
Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost or valuation, less estimated residual value based on prices prevailing at the date of acquisition or revaluation, of each asset evenly over its expected useful life. Residual values are also annually reassessed and updated.

Depreciation rates used for Property, plant & Equipment are between 10 - 40%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Exploration and Development Expenditure

Exploration and development expenditure incurred is either written off as incurred or accumulated in respect of each identifiable area of interest. Costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area, or where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

Financial Instruments

Financial assets and financial liabilities are recognised on the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Trade Receivables and Trade Payables

Trade receivables and trade payables do not carry any interest and are stated at their nominal value, as reduced by appropriate allowances for estimated irrecoverable amounts. These financial assets and liabilities are initially recognised at fair value and subsequently at amortised cost.

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement.

Equity Instruments

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Option reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Foreign currency translation" represents the differences arising from translation of investments in overseas subsidiaries.
- "Retained earnings" represents retained losses.

Share - based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. When employees are awarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the income statement with a corresponding credit to "option reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

3. Other operating income	**2007** £	**2006** £
Interest Received	21,298	421
Rent received	740	-
	22,038	421

4. Business and Geographical Segments

The group operates predominately in one business segment and one geographical segment being the mineral exploration business in Mozambique.

5. Loss from Operations

	2007 £	**2006** £
This is stated after charging/ (crediting) :		
Depreciation of property, plant and equipment	8,873	366
Audit services	5,687	-
Non-audit services - interim accounts	2,220	-
Non-audit services - nominated advisor and reporting accountant services on admission to AiM	80,532	-

In addition to the above, the auditors received 65,215 GBP for services as nominated advisor and reporting accountant on admission to AiM which was charged to the share premium account.

6. Staff Costs

Staff costs during the year were as follows:

	2007 £	**2006** £
Wages and salaries	130,390	-
	130,390	-

The average number of employees of the group during the year was 7 (2006: Nil), all of whom were engaged in either administrative or managerial tasks.
The company employed staff commencing February 2007 for both it's operations in Fremantle and Mozambique.
The total staff costs for the year were UK Sterling comprising Wages, payroll processing costs & recruitment costs.

Remuneration in respect of directors was as follows:

	2007 £	**2006** £
Emoluments	121,338	-
	121,338	-

The company has, granted Options to the Directors, to subscribe for a total of 3,500,000 Ordinary Shares in two tranches, comprising one tranche of 2,340,000 Ordinary Shares ("Tranche A") and one tranche of 1,160,000 Ordinary Shares ("Tranche B"), as set out below.

The Options will be exercisable in respect of Tranche A from 1 February 2007 at a price per Ordinary Share equal to the placing price, in respect of Tranche B from 1 February 2008 at a price per Ordinary Share equal to 110% of the placing price. None of the Options shall be exercisable at any time after the fifth anniversary of the date of Admission.

The Board shall have the power to cause an Option to lapse when the grantee leaves Baobab by reason of their death, disability, injury, redundancy or retirement.

No monies will be paid for the Options. Each Option will entitle the holder to subscribe for one fully paid Ordinary Share.

7. Income Tax Expense
Recognised in the income statement

The prima facie tax on operating loss is reconciled to the income tax provided in the financial statements as follows:

		UK 30%
Operating loss		(1,550,663)
Prima facie tax on operating loss		(465,199)
Income tax benefit not brought to account		465,199
Income tax expense		-
Future income tax benefits which have not been brought to account comprise:		
Income tax losses		465,199
Total of unused tax losses, as follows:		
	2007	(465,199)
	2006	(38,265)
		(503,464)

Deferred tax assets (unused tax losses) have not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

8. Loss per share

	2007 £	**2006** £
From continuing operations		
The calculation of the basic and diluted losses per share are based on the following data:		
Losses for the purpose of basic and dilutive earnings per share being net loss attributable to equity holders of the parent	(1,550,663)	(127,551)
Weighted average number of ordinary shares and options for the purpose of basic and dilutive loss per share	31,761,373	2
Loss per share (basic and diluted)	(4.9 p)	(£63,776)

The options are anti-dilutive so are not included in the diluted loss per share calculation.

9. Property, plant & equipment

	Property, plant & £	**Total** £
Cost		
Balance at 1 July 2006	9,781	9,781
Additions	75,815	75,815
Exchange differences	1,391	1,391
At 30 June 2007	86,987	86,987
Accumulated Depreciation		
Balance at 1 July 2006	366	366
Charge for the year	8,873	8,873
Exchange differences	290	290
At 30 June 2007	9,529	9,529
Carrying amounts		
Balance at 30 June 2006	9,415	9,415
Balance at 30 June 2007	77,458	77,458

10. Mineral Properties	**2007** £	**2006** £
Tenement expenses (additions in the year)	615,258	-
Write off of Tenement expenses	(606,159)	-
Foreign currency translation adjustment	(9,099)	
	-	-

Tenement costs are written off in December and June each year. Recoverability of the Group's carrying value of interests in mineral projects is subject to the successful development and exploitation of the exploration properties or alternatively, the sale of these tenements at amounts at least equal to the book values. At this stage the company has no published resources or reserves therefore exploration expenditure is not carried forward.

11. Investments

A list of the investments in subsidiaries, including the name, country of incorporation and proportion of ownership interest is given in note 4 to the company's separate financial statements.

12. Other assets	**2007**	**2006**
	£	£
Prepayments	12,147	31,366
	12,147	31,366

13. Trade and other receivables	**2007**	**2006**
	£	£
Net GST Receivable	8,884	1,867
Sundry Debtors	6,783	-
Withholding Tax Refund	208	235
Interest - HBSC Money Market Account	2,058	-
VAT Receivable	26,173	-
	44,106	2,102

There is no impairment loss recognised in profit and loss for a financial asset. The nominal values approximate fair values.

14. Trade and other payables	**2007**	**2006**
	£	£
Trade creditors	89,127	14,593
Accrued expenses	19,955	-
PAYE Payable	5,291	-
Superannuation Payable	5,430	-
Annual Leave Entitlement	7,218	-
	127,021	14,593

There are no significant terms and conditions with respect to the above that affect the amount and timing of future cash flows.

15. Share Capital

			2007	**2006**
			£	£
	Number	**Nominal Value**	**Consideration**	**Consideration**
(a) Share capital				
Authorised				
1,000,000,000 ordinary shares of 1p each		10,000,000		
Issued and fully paid				
2 ordinary shares of 1p each	2	0.02	0.02	0.02
16,600,000 ordinary shares of 1p each	16,600,000	166,000	166,000	
4,000,000 ordinary shares of 1.875p each	4,000,000	40,000	75,000	
1,000,000 ordinary shares of 6p each	1,000,000	10,000	60,000	
4,159,500 ordinary shares of 8p each	4,159,500	41,595	332,760	
23,060,000 ordinary shares of 10p each	23,060,000	230,600	2,306,000	
	48,819,502	488,195	2,939,760	0.02

	Note	**2007**	**2007**	**2006**	**2006**
(b) Movements in shares on issue		£	**No of Shares**	£	**No of Shares**
Beginning of period		205,230	2	-	-
Issued during the period					
- Share Capital	18 (c)	488,194	21,714,782	1	2
- Share premium		2,004,308	27,104,718		
- Loan from Mineral Securities Limited recognised directly in equity	18 (d)	(76,406)	-	76,406	-
- Share application funds received recognised directly in equity	18 (e)	(128,823)	-	128,823	-
End of financial period		2,492,503	48,819,502	205,230	2

(c) Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

For the purposes of statutory financial statement preparation, the issued and fully paid ordinary shares has been rounded upward.

(d) Loan from Mineral Securities Limited

The company has received an interest free loan from Mineral Securities Limited (an Australian entity).
The loan was made on the understanding that the loan would be converted to equity of 4 million shares prior to the company becoming listed on the AIM of the London Stock Exchange.
As the loan is in the nature of a equity instrument, the full amount has been taken directly to equity in the period.
The loan was converted to equity in the 2007 Financial year.

(e) Shares issued for non-cash consideration

The company on 29 June 2007 issued and allocated 1,000,000 fully paid ordinary shares in the capital of the company ("New Shares") to Strong Investmentos Lda (or it's nominee) at an agreed value of 10p per share ("Allotment").

(f) Share application funds

The company has received funds from investors. These funds were converted to equity as the company received a trading licence which enabled the company to issue further shares to the public.
The loan was converted to equity in the 2007 Financial year.

16. Reserves - Options

The company has, granted Options to the Directors and employees, to subscribe for a total of 4,150,000 Ordinary Shares in two tranches, comprising one tranche of 2,780,000 Ordinary Shares ("Tranche A") and one tranche of 1,370,000 Ordinary Shares ("Tranche B"), as set out below.

The Options will be exercisable in respect of Tranche A from 1 February 2007 at a price per Ordinary Share equal to the Placing Place, in respect of Tranche B from 1 February 2008 at a price per Ordinary Share equal to 110% of the placing price. None of the Options shall be exercisable at any time after the fifth anniversary of the date of Admission.

The Board shall have the power to cause an Option to lapse when the grantee leaves Baobab by reason of their death, disability, injury, redundancy or retirement.

No monies will be paid for the Options. Each Option will entitle the holder to subscribe for one fully paid Ordinary Share.

An option agreement dated 26 January 2007 between the company and Westwind pursuant to which the Company granted Westwind the right to subscribe for up to 885,000 new Ordinary shares at a subscription price equal to the placing price to be exercised at any time during the period beginning one year after admission and ending on the date three years after admission.

Details of the number of share options and the weighted average exercise prices (WAEP) outstanding during the year are as follows:

	2007	
		WAEP
	No	p
Outstanding at the beginning of the year	-	-
Granted during the year	5,035,000	10.27
Exercised during the year	-	-
Forfeited during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	5,035,000	10.27
Exercisable at the year end	2,780,000	10.27

5,035,000 options were granted during the year. The weighted average share price at the year end was 10.27p

The share options outstanding at the end of the year have a weighted average remaining contractual life of 4.5 years and have the following exercise prices:

Expiry date	Exercise price	2007
	p	No
26 January 2010	**10**	885,000
1 February 2012	**10**	2,780,000
1 February 2012	**11**	1,370,000
		5,035,000

The fair values were calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

Number granted	Weighted average share price	Weighted average share price	Expected Volatility	Expected life	Risk free rate	Expected dividend yield	Weighted average fair value at grant date
No.	p	p	%	Years	%	%	p
5,035,000	14	10.27	70		5.25	-	9.6

Expected volatility was determined by calculating the historical volatility of the comparator company's share price volatility. The expected life used in the model has been the adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The company recognised total expenses of 393,630 GBP related to equity-settled share-based payment transactions during the year.

17. Translation Reserves

	Translation Reserves	Total
Balance at 1 July 2005	-	-
Exchange differences on translation of overseas operations	1,593	1,593
Balance as at 30 June 2006	1,593	1,593
Balance at 1 July 2006	1,593	1,593
Exchange differences on translation of overseas operations	(19,089)	(19,089)
Balance as at 30 June 2007	(17,496)	(17,496)

Nature and purpose of reserves
Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

18. Notes to the Cash Flow Statement

	2007 £	2006 £
Net Loss for the period	(1,550,663)	(127,551)
Adjustments for:		
Mineral properties written off	606,159	-
Aggregate movements in prepayments and sundry debtors	(6,239)	(31,366)
Depreciation of plant & equipment	8,873	366
Exchange differences	(11,091)	1,593
Non cash Benefits (Options)	393,630	-
Operating cash flows before movements in working capital	(559,331)	(156,958)
(Increase) in receivables	(16,546)	(2,102)
Increase in payables	112,428	14,593
Net cash from operating activities	(463,449)	(144,467)

19. Contingent Liabilities

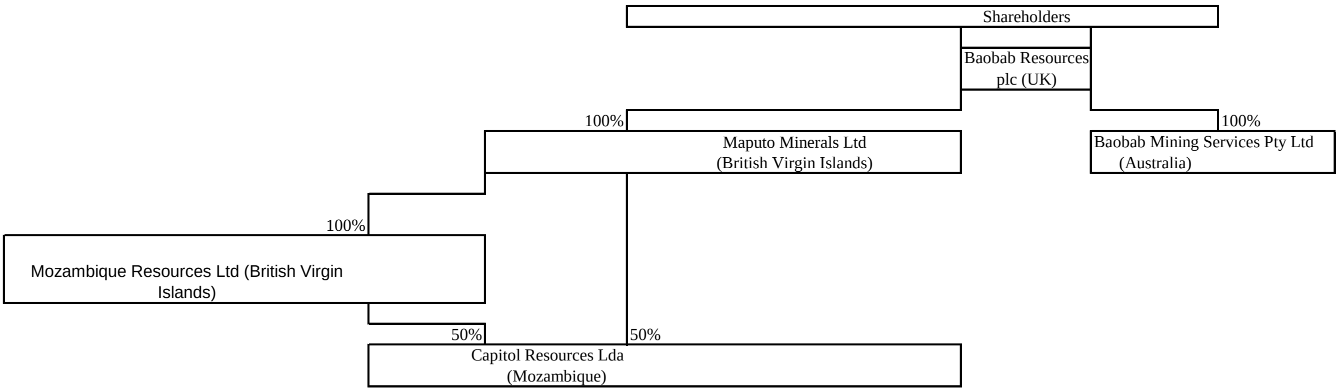
There are no contingent liabilities.

20. Events after the Balance Sheet date

On 13 December 2007, the Company completed a fund raising of approximately £1.15 million before expenses through a share placing of 9.97 million shares at 11.5p per share.

21. Subsidiaries

The Baobab Group Structure is illustrated below:



22. Related Parties

(a) Parent entity

The parent entity in the wholly-owned group is Baobab Resources plc

(b) Subsidiaries

Interest in subsidiaries is set out in Note 21.

(c) Key management personnel

Disclosures relating to key management personnel are set out in Note 24.

(d) Translations with related parties

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Consultancy fees totalling GBP 18,393 were paid to Millridge Holdings Pty Ltd a company associated with ex director Alexander Irwin Crowe.

Related party transactions were on terms throughout the year which are equivalent to those that prevail in arm's length transactions.

23. Financial Instruments

a. Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, however to date the group has not been exposed to any significant risks for which the directors have had to use hedging or other financial risk minimising transactions.

b. Financial Instruments

i. Interest Rate Risk

There is no exposure for interest rate risk for loans recognised in equity.

There are no significant terms and conditions with respect to these former loans (now equity) that affect the amount and timing of future cash flows.

The group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities are as follows:

	Weighted Average Effective Interest Rate 2007	Floating Interest Rate 2007 £	Non-Interest Bearing 2007 £	Total 2007 £
Financial Assets				
Cash and cash equivalents	5.5%	1,183,733	-	1,183,733
Receivables		-	25,431	25,431
Total Financial Assets		**1,183,733**	**25,431**	**1,209,164**
Liabilities				
Trade and other payables			119,803	119,803
Annual Leave Entitlements			7,218	7,218
Total Financial Liabilities		**-**	**127,021**	**127,021**

There are no significant terms and conditions with respect to the above that affect the amount and timing of future cash flows.

ii. Net Fair Values
The net fair values of financial assets and financial liabilities approximate their carrying value.

Recoverability of the Group's carrying value of interests in mineral projects is subject to the successful development and exploitation of the exploration properties or alternatively, the sale of these tenements at amounts at least equal to the book values.
8. Investment

24. Key Management Personnel Disclosures

(a) Directors

The following persons were directors of Baobab Resources plc during the financial year:

Alexander (Jon) Irwin Crowe	Director (resigned 4 January 2007)
Jeremy Dowler	Chairman (Non-executive)
Ian Cullen	Managing Director (appointed 16 August 2006)
Brett Townsend	Director (appointed 16 August 2006)
Jonathan Beardsworth	Non-executive Director (appointed 30 September 2006)
Tony Walsh	Non-executive Director (appointed 16 August 2006)

(b) Other Key Management personnel

The following persons were the executives of the company with the greatest authority for the strategic direction and management of the Group during the financial year:

Ben James	Exploration Manager
Alexander (Jon) Irwin Crowe	Market Relations Manager
Peter Tanham	Chief Financial Officer and Assistant Company Secretary

(c) Key Management personnel compensation

	2007 £	2006 £
Short-term employee benefits	65,107	-
	65,107	0

(d) Equity instrument disclosures relating to key management personnel

(i) Share holdings

The number of shares in the company held during the financial year by each director of Baobab Resources plc and other key management personnel of the group, are set out below. There were no shares granted during the reporting period as compensation.

2007		Balance at start of the year	Changes during the year	Balance at the end of the year
Directors	**Beneficial Owner**			
Jeremy Dowler		-	2,915,169	2,915,169
Ian Cullen		-	750,000	750,000
Brett Townsend		-	750,000	750,000
Jonathan Beardsworth		-	-	-
Tony Walsh		-	-	-
Other Key Management Personnel				
Ben James		-	-	-
Alexander (Jon) Irwin Crowe		1	7,250,000	7,250,001
Peter Tanham		-	250,000	250,000

(e) Loans to key management personnel

There were no loans to key management personnel.

(f) Other transactions with key management personnel

Consultancy fees totalling GBP 18,393 were paid to Millridge Holdings Pty Ltd a company associated with Alexander Irwin Crowe.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF BAOBAB RESOURCES PLC

We have audited the parent company financial statements of Baobab Resources plc for the year ended 30 June 2007 which comprise the income statement, the balance sheet, the cash flow statement, the statement of changes in members' equity and notes 1 to 10. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Baobab Resources plc for the year ended 30 June 2007.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the parent company financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the parent company financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's statement that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited parent company financial statements. The other information comprises only the Directors' Report, the Chairman's Statement and the Project Overview. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the company's affairs as at 30 June 2007 of its loss for the year then ended
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - going concern basis of preparation

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in the 'basis of preparation - going concern' accounting policy in note 2 of the group financial statements. This concerns the uncertainty over the ability of the group to raise further equity to fund its operations as required. In view of the significance of these uncertainties we consider that they should be drawn to your attention, but our opinion is not qualified in this respect.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS
Gatwick
18 December 2007

COMPANY INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	Company 2007 £	Company 2006 £
Other Operating Income		17,783	22,038
Administrative Expenses		(1,796,608)	(47,836)
Loss from operations before tax		(1,778,825)	(25,798)
Income tax expense	2	-	-
Loss for the period attributable to equity holders of the parent		(1,778,825)	(25,798)

COMPANY BALANCE SHEET AT 30 JUNE 2007

	Note	Company 2007 £	Company 2006 £
Non-Current Assets			
Mineral Properties	3	-	-
Investment in subsidiaries	4	3	157,393
Total Non-Current assets		3	157,393
Current Assets			
Trade and other receivables	6	28,232	-
Other assets	5	8,045	-
Cash and cash equivalents		1,023,429	1
Total Current Assets		1,059,706	1
Total Assets		1,059,709	157,394
Current Liabilities			
Trade and other payables	7	237	-
Total Current Liabilities		237	-
Total Liabilities		237	-
Net Assets		1,059,472	157,394
Equity			
Share Capital	8	488,195	205,230
Share Premium	8	2,004,308	-
Reserves - Options	9	393,630	-
Retained Earnings		(1,826,661)	(47,836)
Total Equity		1,059,472	157,394

The financial statements were approved by the board of directors and authorised for issue on 18 December 2007. They were signed on its behalf by:

Ian Cullen, Director
18 December 2007

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 £	2006 £
Net cash used in operating activities	10	(396,674)	(47,836)
Cash flows from investing activities			
Acquisition of subsidiary		-	(3)
Purchases of mineral properties		(12,000)	-
Net cash flows used in investing activities		(12,000)	(3)
Cash flows from financing activities			
Share issue costs		(297,859)	-
Proceeds from share issues		2,561,538	128,824
Loans to subsidiaries		(755,171)	(157,390)
Proceeds from borrowings		(76,406)	76,406
Net cash flows from financing activities		1,432,102	47,840
Net increase in cash and cash equivalents		1,023,428	1
Cash and cash equivalents at beginning of the period		1	-
Cash and cash equivalents at end of the period		1,023,429	1

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 30 JUNE 2007

	Note	Share Capital £	Share Premium Reserve £	Option Reserve £	Retained Earnings £	Total Equity £
At date of incorporation		-	-	-	-	-
Issue of Shares		1	-	-	-	1
Net loss for the year		-	-	-	(47,836)	(47,836)
Loan from Mineral Securities Limited recognised directly in equity.		76,406	-	-	-	76,406
Share application funds received recognised directly in equity.		128,823	-	-	-	128,823
Balance at 30 June 2006		205,230	-	-	(47,836)	157,394
Balance at 1 July 2006		205,230	-	-	(47,836)	157,394
Net loss for the year		-	-	-	(1,778,825)	(1,778,825)
Share issue costs		-	(297,859)	-	-	(297,859)
Issue of shares		488,194	2,302,167	-	-	2,790,361
Issue of Options		-	-	393,630	-	393,630
Loan from Mineral Securities Limited recognised directly in equity		(76,406)	-	-	-	(76,406)
Share application funds received recognised directly in equity		(128,823)	-	-	-	(128,823)
Balance at 30 June 2007		488,195	2,004,308	393,630	(1,826,661)	1,059,472

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Significant accounting policies

As permitted by that Act, the separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and issued by the IASB.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in note 2 to the consolidated financial statements except as noted below.

Investments in subsidiaries are stated at cost less, where appropriate, impairment losses.

2. Tax

The prima facie tax on operating loss is reconciled to the income tax provided in the financial statements as follows:

	UK 30%
Operating loss	(1,778,825)
Prima facie tax on operating loss	(533,647)
Income tax benefit not brought to account	533,647
Income tax expense	-
Future income tax benefits which have not been brought to account comprise:	
Income tax losses	533,647
Total of unused tax losses, as follows:	
2007	(533,647)
2006	(14,351)
	(547,998)

Deferred tax assets (unused tax losses) have not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

3. Mineral Properties	**2007** £	**2006** £
Tenement expenses (additions in the year)	112,000	-
Write off of Tenement expenses	(112,000)	-
	-	-

Tenement costs are written off in December and June.

4. Investment in subsidiaries

	2007	2006
	£	£
Loans to subsidiaries	912,560	157,390
Provision for write down - loans to Subsidiaries	(912,560)	-
Investments in subsidiaries	3	3
	3	157,393

Details of the company's subsidiaries at 30 June 2007 are as follows:

Name of subsidiary	Place of Incorporation	Ownership Interest	Voting Power
Maputo Minerals Limited	British Virgin Islands	100%	100%
Mocambique Resources Limited	British Virgin Islands	100%	100%
Capitol Resources Lta	Mozambique	100%	100%
Baobab Mining Services Pty Ltd	Australia	100%	100%

The subsidiaries were acquired as shell companies with no net assets or any goodwill on acquisition.
The amounts paid represent the shares issued to the company.

Included in Investments in Subsidiaries are loans made to subsidiaries totalling GBP 912,560. These loans are interest free and repayment of the loans is neither planned nor likely in the foreseeable future.
As such the loans have been recorded as part of the net investment in the subsidiary companies.

5. Other assets

	2007	2006
	£	£
Prepayments	8,045	-
	8,045	-

6. Trade and other receivables

	2007	2006
	£	£
Interest - HBSC Money Market Account	2,058	-
VAT Receivable	26,174	-
	28,232	-

7. Trade and other payables

	2007	2006
	£	£
Trade creditors	237	-
	237	-

8. Share Capital

The movements in share capital are disclosed in Note 15 to the consolidated financial statements.

9. Reserves - Options

Reserves - options are disclosed in Note 16 to the consolidated financial statements.

10. Notes to the Cash Flow Statement	**2007**	**2006**
	£	**£**
Net Loss for the period	(1,778,825)	(47,836)
Adjustments for:		
Provision for write down - loans to Subsidiaries	912,560	
Mineral properties written off	112,000	
Aggregate movements in prepayments and sundry debtors	(36,276)	-
Non cash Benefits (Options)	393,630	-
Operating cash flows before movements in working capital	(396,911)	(47,836)
Increase in payables	237	-
Net cash from operating activities	(396,674)	(47,836)