



## **Baobab Resources plc**

### **Interim Results for the 6 Months Ended 31 December 2006**

Baobab Resources plc (AIM:BAO) ('Baobab' or 'the Company'), the Mozambique focused base and precious metals exploration company with a portfolio of advanced and greenfield projects, announces its Interim Results for the period ended 31<sup>st</sup> December 2006.

Baobab has a balanced portfolio of exploration tenements in Mozambique and intends to focus on those projects which have the potential to lead to early cash flow, in particular the main project at the idle Mundonguara copper/gold mine.

#### **Highlights:**

- **Baobab joined AIM on 1<sup>st</sup> February 2007, raising £2.2 million via a Placing**
- **Funds to be used to explore for and define deposits in Mozambique, a politically stable country with a hitherto unrecognised mineral wealth**
- **21 licences, owned 100%, host a variety of commodities including gold, copper, nickel, PGM, uranium, silver, lead, zinc, iron ore and fluorite**
- **Substantial underground infrastructure at Mundonguara mine; work to define further resources commenced**

#### **Ian Cullen, Managing Director, of Baobab, said:**

*“Baobab now has the funds to explore and define the resources at the Company’s main copper/gold prospect, Mundonguara, whilst allowing us to explore several of Baobab’s other prospects, a number of which have the potential to become low cost ‘small mines’ developments with near-term production.*

*“Since flotation we have rapidly built momentum with various programmes implemented which we expect will lead to an exciting and productive period.”*

#### **For further information, please contact:**

##### **Baobab Resources plc**

Ian Cullen, Managing Director

Jon Crowe, Market Relations

Peter Tanham, Chief Financial Officer

**+61 (0) 41 8911 632**

**+61 (0) 41 9966 173**

**+61 (0) 8 9476 3716**

**Grant Thornton Corporate Finance**  
Fiona Owen

**+44 (0)20 7383 5100**

**Westwind Partners (UK) Limited**  
Paul Colucci

**+44 (0)20 7290 9716**

**Bankside Consultants**  
Michael Padley / Sam Allen

**+44 (0)20 7367 8888**

## **MANAGING DIRECTOR'S REPORT**

### **Introduction**

On behalf of the Board and management team it gives me great pleasure to present the first Company interim report. The period has seen substantial progress made towards our aim of establishing a UK quoted mining company focused on Mozambique.

Baobab Resources plc subsequently commenced trading on AIM on 1 February 2007 having raised £2,200,000 (before expenses) following a successful placing of 22,000,000 Ordinary Shares priced at 10 pence each, together with 11,000,000 unlisted warrants.

I would like to take this opportunity to update shareholders on the progress made since admission and to inform them of planned activities for the current period.

The Board and management team are committed to building a long term, sustainable exploration and mining business in Mozambique. The progress made following admission to AIM is substantial and is detailed in the Project Review. We have rapidly built momentum and we look forward to a very productive and exciting period.

### **Project Review**

The Company's licences are grouped into two geographical regions: the Greater Manica Region, containing the project areas of Manica and Sussundenga, including the advanced Mundonguara copper/gold project, and the Greater Tete Region, containing the project areas of Sanango, Cacame, Furancungo, Angonia and Changara.

### **Greater Manica Region**

#### **Mundonguara Advanced Copper /Gold Project**

The Manica prospecting licence (1022L) covers the Company's most advanced exploration area and includes the defunct Mundonguara copper/gold mine. A prime focus for the Company is to define high grade copper resources and determine the tenor and extent of potential lower grade halos at Mundonguara.

In addition, the fundamental structural and geological conditions that control mineralisation at the Mundonguara deposit are expected to extend over the five kilometres of along-strike continuity contained within the Company's licence and this will provide targets for brownfields exploration.

Proposed exploration programmes are designed to target both oxide and primary copper, gold and nickel mineralisation within the Manica project area.

Progress of work programmes to date consists of:

- Refurbishing the access road to the Mundonguara 8 Level portal and beyond to the Mundonguara valley saddle has commenced. This will provide access to the project area all year round.

- Expressions of interest have been received for the supervision and sign-off of the refurbishment of the existing underground 8 Level. The refurbishment will allow safe access along the length of the 8 Level so that further resource definition programmes can commence. The work is planned for completion within a two month period.
- Approximately 1,200m to 1,600m of underground drilling has been designed. The programme will test the down plunge continuity of the main ore blocks from the 8 Level. Where possible, 2 hole fans have been designed to intersect the blocks at ~55m and ~110m below the 8 Level RL. By establishing continuity of mineralisation, the existing Mundonguara conceptual target may be elevated to a JORC compliant indicated resource level of confidence, with additional mineral resources inferred at depth. Drilling is planned to commence during May with the first assay results expected by end of June 2007. This timing is contingent upon drilling rig availability.
- Approximately 2,000m of channel sampling of the 8 and 6 Levels has been designed to gauge the extent and tenor of disseminated halos surrounding the exploited high grade shoots with a view to assessing the open pit prospects of the upper levels. Channel sampling will also provide a good first pass tool in assessing the grade and extent of remnant high grade blocks. Initial assay results from the sampling are expected to be received in June 2007.

Channel sampling, coupled with detailed geological and structural mapping will be instrumental in the development of a mineralisation system model and its application to the Mundonguara Brownfields area.

- Reprocessing and interpretation of an IP survey that was completed in 1989 over the Mundonguara mine area data has outlined 3 significant chargeability anomalies;
  1. overlying the 11 Block,
  2. underlying the western tailings dam and,
  3. east of the existing workings

Recommendations for further work to test these anomalies will form part of a report currently in preparation, with surface trenching, mapping and sampling of the eastern anomaly planned to commence in the coming months.

- A programme of approximately 2,000 soil samples has been designed over the Mundonguara Brownfields area. An orientation programme will commence within the next two weeks with both conventional and mobile metal ion (MMI) methodologies tested. The surveys are expected to be completed within 4 months. The geochemical surveys have been designed to test the following:
  1. Surface Cu, Au and Ni signatures of the Mundonguara deposit
  2. Test for mineralisation along strike to the east and west
  3. Confirm Ni anomalies generated by Rand Mines in 1965
  4. Test ground to the north of the Dillon Ridge where lithologies are favourable for Au mineralisation
  5. Test the ground to the south of the Sierra Isitaca which is underlain by a large granodiorite intrusive and considered prospective for Penhalonga Valley style Au mineralisation

- An Environmental & Social baseline study has been commissioned over the Mundonguara environs. GCS (South Africa) are due to commence field work in the coming weeks with a report expected due thereafter.
- Samples collected during 2006 from 6 auger holes into the tailings dumps at Mundonguara are being processed and will be despatched shortly. Additional auger sampling has been scheduled for June-July 2007.

### **Sussundenga Project Area**

Exploration in this project area will target low grade, shallow supergene gold mineralisation suitable for low-cost open-pit, heap-leach operation.

A geochemical survey has been designed to confirm and infill gold in soil anomalies generated by Ashanti over the Bandire prospect during the 1990's. The survey will also target Landsat lineations that appear to be associated with mineralisation at the Bandire artisanal workings. Various sampling patterns, totalling 1,196 samples, have been designed to test approximately 7km's strike length of prospective geology and to follow up on existing anomalies. An orientation programme will commence in the coming weeks with both conventional and mobile metal ion (MMI) methodologies tested. The survey is expected to be completed within a 3 month period.

### **General Surveying, Processing and Interpretation**

Quotes are being sought for an approximately 5,200 line km of aeromagnetic and radiometric survey covering all areas of the Greater Manica Region at a maximum line spacing of 300m, with the Mundonguara Brownfields area flown at 100m.

ASTER and Landsat data covering the Greater Manica region has been acquired and processed and is currently being interpreted. The results of the interpretation, in conjunction with the detailed aeromagnetics and radiometrics, will provide a detailed geological, lithological and alteration framework on which to base targeting for future exploration.

### **Greater Tete Region**

#### **Cacame, Sanangoe, Furuncungo and Angonia Project Areas**

Reconnaissance rock chip, stream sediment and pan concentrate samples collected in the Tete and Furuncungo-Angonia project areas by the Gondwana consultant group during 2006 are in the process of being despatched to South Africa for multi-element analysis (totaling 66 rock chip and 52 stream sediment/pan concentrate samples).

#### **Changara Project Area**

Hawke Geophysics Pty Ltd has been contracted to provide a 1:100k interpretation of the detailed Bloco 2 aeromagnetic/radiometric survey (300m line spacing) over Changara. Landsat and ASTER imagery along with interpreted geology maps prepared by both the Mozambique and Zimbabwe geological surveys are being used to assist in the interpretation. A finished product is expected in April which will assist in the identification and ranking of targets for follow-up exploration.

## **General Surveying, Processing & Interpretation**

Approximately 7,600 line km of aeromagnetic and radiometric survey data, at 300m line spacings, has been designed for the Greater Tete tenements and it is currently undergoing costing. In addition, an ASTER and Landsat interpretation has been commissioned on data the Company acquired in 2006. A report is expected due in May 2007. The structural and lithological mapping interpretations from the satellite imagery, combined with future aeromagnetic surveys will assist greatly in the identification and ranking of targets for first pass exploration.

Field trips to prospects and mineral occurrences in the Greater Tete Region are scheduled for April - May 2007.

Ian Cullen

Managing Director

26 March 2007

**CONSOLIDATED INCOME STATEMENT FOR THE 6 MONTHS ENDED 31 DECEMBER 2006**

	<b>Consolidated 6 Months Ended 31 Dec 06 (Unaudited) GBP</b>	<b>Consolidated 6 Months Ended 31 Dec 05 (Unaudited) GBP</b>	<b>Consolidated Year Ended 30 June 06 (Audited) GBP</b>
Other Operating Income	1,911	-	421
Administrative Expenses	(29,929)	(12,978)	(127,972)
<b>Loss from operations before tax</b>	<b>(28,018)</b>	<b>(12,978)</b>	<b>(127,551)</b>
Income tax expense	-	-	-
<b>Loss for the period attributable to equity holders of the parent</b>	<b>(28,018)</b>	<b>(12,978)</b>	<b>(127,551)</b>
Loss per share (basic and diluted)	(0.001)	(6,489)	(63,776)
Total Number of shares on Issue	25,759,502	2	2

**CONSOLIDATED BALANCE SHEET FOR THE 6 MONTHS ENDED 31 DECEMBER 2006**

	<b>Consolidated 6 Months Ended 31 Dec 06 (Unaudited) GBP</b>	<b>Consolidated 6 Months Ended 31 Dec 05 (Unaudited) GBP</b>	<b>Consolidated Year Ended 30 June 06 (Audited) GBP</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment	12,715	-	9,415
Mineral Properties	175,035	-	-
<b>Total Non-Current Assets</b>	<b>187,750</b>	<b>-</b>	<b>9,415</b>
<b>Current Assets</b>			
Trade and other receivables	2,813	93	2,102
Other assets	682	8,928	31,366
Deferred Fund Raising Costs	291,407	-	-
Cash and cash equivalents	47,334	2	50,982
<b>Total Current Assets</b>	<b>342,236</b>	<b>9,023</b>	<b>84,450</b>
<b>Total Assets</b>	<b>529,986</b>	<b>9,023</b>	<b>93,865</b>
<b>Current Liabilities</b>			
Trade and other payables	203,293	-	14,593
<b>Total Current Liabilities</b>	<b>203,293</b>	<b>-</b>	<b>14,593</b>
<b>Non - Current Liabilities</b>			
Loans	-	21,990	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>21,990</b>	<b>-</b>
<b>Total Liabilities</b>	<b>203,293</b>	<b>21,990</b>	<b>-</b>
<b>Net Assets</b>	<b>326,693</b>	<b>(12,967)</b>	<b>79,272</b>
<b>Equity</b>			
Share Capital	484,362	2	205,230
Translation Reserves	(2,100)	9	1,593
Retained Earnings	(155,569)	(12,978)	(127,551)
<b>Total Equity</b>	<b>326,693</b>	<b>(12,967)</b>	<b>79,272</b>

1. The interim results are unaudited and do not comprise full accounts within the meaning of Section 240 of the Companies Act 1985. They are prepared under International Financial Reporting Standards in accordance with accounting policies set out in the 2006 annual accounts.
2. No interim dividend is being paid or proposed.
3. Earnings per share have been calculated on ordinary shares in issue.
4. Accounting policies adopted in preparing these accounts are as per those as described in the annual report dated 30 June 2006 other than the treatment of expenses incurred on the companies mineral properties. Previously these costs were expensed in the Profit & Loss account. From 1 July 2006 costs incurred on mineral properties were taken to the Balance Sheet as the company's future was more certain due to its pending AIM listing and subsequent fund raising.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE 6 MONTHS ENDED 31 DECEMBER  
2006**

	<b>Consolidated 6 Months Ended 31 Dec 06 (Unaudited) GBP</b>	<b>Consolidated 6 Months Ended 31 Dec 05 (Unaudited) GBP</b>	<b>Consolidated Year Ended 30 June 06 (Audited) GBP</b>
<b>Cash flows from operating activities</b>			
Operating Loss	(28,018)	(12,978)	(127,551)
Increase in Receivables	(711)	(93)	(2,102)
Depreciation	2,553	-	366
Increase in Payables	188,700	-	14,593
Currency translation adjustment	(3,693)	9	1,593
Decrease/(Increase) in Prepayments	30,684	-	(31,366)
<b>Net cash used in operating activities</b>	<b>189,515</b>	<b>(13,062)</b>	<b>(144,467)</b>
<b>Cash flows from investing activities</b>			
Expenditures on mineral properties	(175,035)	-	-
Purchases of plant and equipment	(5,853)	-	(9,781)
<b>Net cash flows used in investing activities</b>	<b>(180,888)</b>	<b>-</b>	<b>(9,781)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares	279,132	2	1
Proceeds from share applications	-	-	128,823
Proceeds from borrowings	-	21,990	76,406
Deferred fund raising costs	(291,407)	-	-
Loan to other companies	-	(8,928)	-
<b>Net cash flows from financing activities</b>	<b>(12,275)</b>	<b>13,064</b>	<b>205,230</b>
<b>Net increase in cash and cash equivalents</b>	<b>(3,648)</b>	<b>2</b>	<b>50,982</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>50,982</b>	<b>-</b>	<b>-</b>
<b>Cash and cash equivalents at end of the period</b>	<b>47,334</b>	<b>2</b>	<b>50,982</b>