



BAOBAB
RESOURCES

Baobab Resources plc

Company Number 5590467

ANNUAL REPORT

30 JUNE 2009



Corporate Information
Directors

Jeremy Dowler
Non Executive Chairman
Brett Townsend
Managing Director
Ben James
Technical Director
Jonathan Beardsworth
Non Executive Director
Jon Crowe
Non Executive Director

Joint Company Secretary

Cargill Management Services Limited
27/28 Eastcastle Street
London W1W 8DH
UK

Joint Company Secretary

Mr Graham Anderson
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Registered Office

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Principal place of business

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Solicitors

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Auditors

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Nominated Advisor

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London EC2P 2YU
UK

Broker

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30 Old Broad Street
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UK



CHAIRMAN'S STATEMENT

Baobab Resources plc has made significant progress during the year in Mozambique, for the most part concentrating on the Tete magnetite-ilmenite project. High resolution geophysics had indicated near surface, steeply dipping, highly magnetic bodies ranging in width from 50 metres to 450 metres over strike lengths of 2.5kms to 3.5kms within the Massamba Group area.

A drilling programme commenced in April 2009 and the Company announced the completion of the maiden fifteen hole diamond drilling campaign at the end of June at the Chitongue Grande prospect within the Massamba Group. This campaign over four sections only tested 500 metres of 8 kilometres of known mineralisation in this area.

On 24 September Coffey Mining Pty Ltd ("Coffey") signed off on a 47.7 million tonne inferred mineral resource in accordance with the JORC code based on the above drilling programme. The indicative average magnetite concentrate grade was reported as 63.7% Fe and 0.68% V₂O₅ at a mass recovery of 20%.

On 29 September Coffey indicated an exploration potential of 400 to 700 million tonnes of magnetite-ilmenite mineralisation to a depth of 250 metres below surface in the Massamba Group area and followed this up with a positive scoping study on 8th October. The study concluded that there were a number of processing options that could be applied to the project deposit and that there was considerable upside that may result from further optimisation of various processing routes via laboratory test work.

The Company has raised funds as and when required and on 27 November 2008, announced that it had secured the financial support of the International Finance Corporation ("IFC"), a member of the World Bank. The Company entered into an equity subscription agreement and option agreement whereby the IFC agreed to subscribe for 11,000,000 ordinary shares at 4.1p to raise £451,000 and were granted 7,333,333 options over ordinary shares exercisable at 6.15p up to 27 November 2015. The relevant shares and options were issued on 6th February 2009.

In the latter part of 2008 and early part of 2009 there was a marked deterioration in sentiment towards funding junior resource companies and the Company raised sufficient funds for the ongoing drilling and test work at Tete. On 29 July 5,750,000 shares were issued at 2p to raise £115,000 before expenses and on 14 August 6,000,000 shares were issued at 2.5p to raise £150,000 before expenses.

The market appreciated the various updates relevant to the Tete project in August and September and the Company was able to plan a substantial work programme for 2010.

The Company appointed Astaire Securities as the Company's broker on 24 September 2009.

On 20 October 45,833,334 shares were issued at a price of 6p to raise £2.75 million before expenses bringing a number of institutional and retail brokers on to the share register. On 2 November 3,850,000 shares were issued at 6p to raise an additional £231,000 before expenses. This follow-on placing was undertaken in order to satisfy additional demand from a core group of existing long term investors.



The completion of the above fundraisings enables the Company to rapidly advance drilling programmes, scoping studies and further metallurgical testwork on the Tete project. It is the Company's objective to advance this project towards feasibility studies over the coming 12 to 18 months. Tete is becoming a major investment centre with both Vale and Riversdale in the process of opening up very substantial coal fields. Power is readily available from the Cahora Bassa hydroelectric scheme and major railways and ports in Mozambique are being refurbished.

Although the Tete project will remain top priority during 2010, the Company is keen to progress the potential of the Mundonguara project and has planned a small drilling programme in order to test the western strike potential of the copper system and assess the nickel potential. The Company has carried out an extensive soil sampling survey at the Changara Project and plans to undertake a comprehensive stream sediment programme over the Sussendenga licences (gold) during the coming year as well as a geological survey over the Senga Senga licences (copper/gold).

The Company announced the appointment of Jon Crowe as non-executive director with effect from 17 September 2009 and his industry experience and wide marketing network will assist in the Company's strategic development.

We thank all of our employees including the dedicated workforce in Mozambique for their continued hard work and commitment. We also thank our shareholders for their continued support and patience in these turbulent markets. We firmly believe that Baobab is poised for further exploration success in 2010 and the recent uplift in the prices of precious metals and base metals gives us the confidence to move our projects forward as rapidly as possible.

A handwritten signature in black ink, appearing to read "Jeremy Dowler", is written over a thin diagonal line that extends from the top left towards the center.

Jeremy Dowler
Chairman



PROJECT OVERVIEW

TETE MAGNETITE – ILMENITE PROJECT

The Tete project area contains two areas of magnetite (containing iron and vanadium) and ilmenite (containing titanium) mineralisation; the Singore area to the south and the Massamba Group in the north. The Company commenced exploration initiatives in mid 2008 and has focused its 2009 activities on the Massamba Group area where exploration has identified magnetite-ilmenite mineralisation over 8km of strike.

On 26 June 2009 the Company announced the completion of its maiden diamond drilling at Chitongue Grande prospect of the Massamba Group. Fifteen drill holes were completed over four sections testing a strike length of 500m for an aggregate total of 3092m drilled.

Drilling intersected stacked packages of magnetite mineralisation intercalated with gabbroic and anorthositic country rock. The packages dip at shallow angles of 10° to 30° southeast from surface and are composed of individual horizons, varying in thickness from 0.5m to 30m, for an average cumulative thicknesses of 80m per section (to a maximum vertical depth of 200m). Vertical, fine grained mafic dykes intrude the area. Mineralisation remains open down dip on all sections.

Four metre composite samples from mineralized drill intercepts were analysed by ALS Chemex laboratories (Perth) for Davis Tube Recovery (DTR) and x-ray fluorescence (XRF) analysis.

The mineralisation may be divided into two distinct domains:

- broad zones of breccia-textured material where clasts of highly altered gabbroic/anorthositic material are supported in a matrix of fine grained magnetite and;
- subordinate, coarse grained massive magnetite veins (up to 5m in width).

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 47.7Mt with head grades of 25.3% Fe, 0.18% V₂O₅ and 9.69% TiO₂.

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 (DTR) 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.

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 characterization 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 in Table 2). An exclusion zone, with a radius of 1.2km centered on the Chitongue Grande resource, was not included in the modelling. Coffey elected not to model nor report grades in this study.

| Table 1 | | | |
|---|---------------------|------------------------|-------------------------------|
| MASSAMBA GROUP AREA | | | |
| Indicative Tonnages (Excluding Chitongue Grande Resource area) | | | |
| Magnetic Susceptibility (SI) | To Depth (m) | Density (g/cm3) | Tonnage (Mt - rounded) |
| 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 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 are expected to be:

- **LIMS:** a high grade magnetite ferro-vanadium concentrate grading 67% - 70% Fe, 0.6% - 1.0% V₂O₅ and 1.3% to 3.5% TiO₂ at a mass recovery of 20 - 35%. All other deleterious elements are expected to be within acceptable limits.
- **HIMS:** an ilmenite concentrate grading 50% TiO₂ and 10% - 15% Fe at a mass recovery of 8% - 14%.



Although the Chitongue Grande results indicated a 20% to 35% mass recovery, the bulk sampling test work from Chitongue Pequeno and Caangua prospects and rock chip DTR analysis from other areas within the Project (completed during 2008) reported considerably higher mass recoveries in excess of 50% for the ferro-vanadium concentrate. It is considered that significant improvement of the overall mass recovery may be achieved 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 Project deposit and that there was considerable upside that may yet result from further optimisation of various processing route options via laboratory test work. The ilmenite concentrate in particular may then be further processed through roasting, chemical or pyrometallurgical processing methods to produce a higher grade concentrate.

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

A base case scenario of a 300Mt resource and 10Mtpa mill throughput producing magnetite and ilmenite concentrates was modelled. The analysis indicates that the Project is likely to be economically viable based on a magnetite mass recovery of 30% and a 15% credit for the V₂O₅ component of the ferro-vanadium concentrate. It is Coffey's belief that an overall mass recovery of 30% could be achievable based on the work completed to date over the Project area.

The study has identified key sensitivities that influence the project economics. These include; strip ratio, mass recovery, concentrate grade, credit negotiation, resource base and mill throughput.

Tete Project: Forward Programme

While the Company has rapidly advanced the Tete project over the past 12 months, there remains a significant amount of work to complete a comprehensive assessment.

It is the Company's objective is to rapidly advance the Tete project towards feasibility studies over the coming 12 to 18 months. The next cycle of exploration activities will include:

- Scout drilling traverses to target areas of high mass recovery in the Massamba Group area
- Priority 1 areas to be followed up with step-out drilling
- Continued metallurgical test work and market studies to determine optimal process flow sheets
- Ongoing scoping studies
- Opening preliminary negotiations with government departments, suppliers, end users and key stake holders
- Preliminary assessment of high priority aeromagnetic targets in the Singore area

Tete is fast becoming a major investment centre with mining majors Vale and Riversdale in the process of opening up the Moatize and Benga coal fields. The railway connecting Tete to the deep water port of Beira is being refurbished, as is the port.



Power is readily available from the Cahora Bassa hydroelectric scheme with additional schemes on the Zambezi in advanced planning stages.

Considering all factors The Tete Project has confirmed itself this year to be of high potential and Baobab will continue to rapidly advance its exploration and feasibility during the coming year.

MUNDONGUARA COPPER/GOLD/NICKEL PROJECT

During 2008 the Company announced a 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 mineralisation 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.

During 2009 Mundonguara exploration work was suspended due to limited funding opportunities in the wake of the financial crisis.

Baobab is keen to progress the potential of Mundonguara with diamond and RC drilling budgeted for the coming year, which will assess the western strike potential of the copper system as well as drill testing the coincidence of extensive nickel-in-soil anomalism and induced polarity (IP) anomalies.

GREENFIELDS PROJECTS

In March 2009 the company relinquished six licences at Farancungo Angonia as a prudent rationalization of its extensive greenfields holdings and the associated costs. Three greenfields licences in the Manica area were also relinquished, with twelve greenfields licences retained at Changara, Sussendenga, Senga Senga and Sanangoe.

At the Changara Project (Sedex / Broken Hill Type Base & Precious Metals) an extensive soil sampling survey of 10,261 samples covering 380km² was conducted during the period. Samples were analyzed using an in-field XRF analyzer.

Interpretation of the results has delineated significant multi-element anomalies, traceable over strike lengths of up to 2.5km, and associated with lower Proterozoic lithological margins, fold closures and dome/intrusive features. Some 12 first priority multi-element lead/zinc/copper are identified for infill soil sampling and geological mapping.



A comprehensive stream sediment programme is planned for the Sussendenga licences (lode gold targets) during the coming year, and a geological mapping programme is scheduled for the Senga Senga licences (Telfer Type gold/copper model).

OUTLOOK

Mozambique continues to develop as an exciting country in which to be exploring and developing mineral assets. This year the Tete Project has taken a giant leap forward despite generally difficult conditions for small cap explorers.

In January of 2009 Baobab completed a joint venture agreement with International Finance Corporation (IFC) whereby IFC will maintain a 15% equity in the project by contributing to Tete project funding.

During October and November 2009 the Company secured placings totaling £2.98m before expenses. We welcome a number of new institutional shareholders to the Company.

We are confident of a bright outlook for 2010 given improving economic and market conditions, our very attractive and strategically placed lead projects and secure funding for planned exploration initiatives.

A handwritten signature in black ink, appearing to read "Brett Townsend", written in a cursive style.

Brett Townsend
Managing Director



DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 30 June 2009.

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 Mozambique Resources Limited which owns 50% of the shares in Capitol Resources Lda. Capitol Resources Lda holds a 100% interest in 16 Mozambique prospecting licences. Baobab Resources Plc owns all the shares in Baobab Mining Services Pty Ltd which is providing management services for the exploration programme 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 2009 after income tax was £1,551,370 (2008 - £2,190,573).

No dividends have been paid during the year and the Directors cannot recommend that any dividend be paid.

Business review

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



Financial risk management objectives and policies

The Company uses various financial instruments these include cash, 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 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 risks affecting the Company are currency risk and interest rate risk. In the Company's operations to date, currency risk is the more significant 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.

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.

Liquidity Risk

The Company's practice is to regularly review cash needs including those of its subsidiaries and to place excess funds on fixed term deposits for periods not exceeding three months with an institution that is of high credit rating.

The Company manages liquidity risk by control of expenses and periodic raising of additional equity. The Group has sufficient funds to continue operations for the forthcoming year.



Exchange controls/distributions controls

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

Key performance indicators (KPI's)

Retention of existing exploration licences

The Company has reduced its existing tenement holdings and decreased the number of exploration leases from 25 leases to 16 leases during the financial year.

Executive and Non-Executive Directors attendance at Board meetings

There has been 100% attendance at monthly Board meetings achieving the Board's desired attendance criteria.

Expenditure is undertaken in line with budget

Actual expenditure has remained within budget during the year.

Principal risks and uncertainties

The significant risks that may affect the Company include funding, political risk, labour risk and exploration risk. These are general economic conditions which may affect exploration companies. These risks are minimised through the development of sound management practices.

Funding risk

The Company will from time-to-time seek to raise funds to manage its exploration programme. Fund raising will usually be undertaken by placement of equities via the Alternative Investment Market or entering into a joint venture arrangement with a partner for one of its projects. The funding risk faced by the Company is that it may not be able to raise the required funds at the time that the funds are required. Under these circumstances the Company would amend its exploration programme to remain within its existing financial resources.

Political risk

The Company's exploration licences are in Mozambique. The Company faces political risk whereby changes in government policy or a change of governing political party could place its exploration licences in jeopardy. The Mozambique government has been stable for many years and fosters a beneficial climate towards companies exploring for resources. It is not anticipated that this situation is likely to change.



Labour risk

The Company needs to employ both a skilled and unskilled labour force to undertake its exploration programme. The labour risk identifies that a suitably skilled labour force may not be available. To mitigate the risk, the Company has undertaken to train employees in the skills required and has engaged suitably skilled specialists as required.

Exploration risk

The Company currently holds 16 licences exploring for a variety of commodities in Mozambique. The Company has a large land-holding covering six discrete project areas. The Company faces exploration risk that the results of the exploration activities indicate that there is no economically viable quantities of minerals from its exploration sites.

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 50 days (2008: 55 days) average supplies for the year.

Indemnities and insurance

Article 40 of Baobab Resources Plc Articles of Association allows the Company to, subject always to the provisions of the Statutes, and without prejudice to any protection from liability which may otherwise apply, allow the Company, at its discretion and subject to any policies adopted by the Directors from time to time, indemnify every Director or other officer or auditor of the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in relation to the Company in or about the actual or purported execution of the duties of his office or the exercise or purported exercise of his powers or otherwise in relation thereto, including any liability incurred by him in defending any criminal or civil proceedings, provided that no such indemnity shall be provided in respect of any liability incurred.

The Directors and executive officers named in this Annual Report have the benefit of this requirement, as do individuals who formerly held one of those positions.

Future developments

Future developments are contained in the Chairman's Statement and Project Overview.

Post balance sheet events

Subsequent to year end the Company has raised a total of £3,285,020 by way of placements and issues of shares from exercise of warrants as follows:

| Date | Description | No of shares | Issue Price | Amount Raised £ |
|-------------------|----------------------|---------------------|--------------------|------------------------|
| 29 July 2009 | Placement | 5,750,000 | 2 pence | 115,000 |
| 14 August 2009 | Placement | 6,000,000 | 2.5 pence | 150,000 |
| 24 August 2009 | Exercise of warrants | 600,000 | 2.5 pence | 15,000 |
| 18 September 2009 | Exercise of warrants | 600,000 | 2.5 pence | 15,000 |
| 18 September 2009 | Exercise of warrants | 220,000 | 4.1 pence | 9,020 |
| 20 October 2009 | Placement | 45,833,334 | 6 pence | 2,750,000 |
| 2 November 2009 | Placement | 3,850,000 | 6 pence | 231,000 |
| | Total | 62,853,334 | | 3,285,020 |

In relation to the above placements the Company issued 2,047,667 share options exercisable at 6p, expiring on 27 October 2012 and 38,500 share options exercisable at 6p per share, expiring 9 November 2012.

Since 30 June 2009, the Directors are not aware of any other 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.

Corporate

The Company is limited by shares and domiciled in England. There were thirty-six employees as at the year-end other than the non executive Directors.

Directors

The Directors during the year were as follows:

Jeremy Dowler
Brett Townsend
Jonathan Beardsworth
Ben James
Tony Walsh (resigned 22 November 2008)

Mr Jon Crowe was appointed as a non-executive Director on 17 September 2009.

Information on Directors

Jeremy Dowler - Non Executive Chairman

Jeremy's career as a finance director has taken him from the City of London to South Africa and Australia in senior administrative positions in insurance, publishing and resources, including Brockbank Group plc and Thomson Books (London book publishing division of International Thomson Organisation). Jeremy has served on the boards of various resource companies and was a founding shareholder and the former Finance Director of Platmin Limited, a platinum exploration and development Company with projects in South Africa. This Company is listed on AIM and the Toronto Stock Exchange. He brings significant administrative and financial skills to the Company.



Brett Townsend – Managing Director

Brett is a geologist with 20 years Australian and international experience in 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. He has been a director of Baobab Resources plc since 2006. Brett holds a Bachelor of Science degree from the University of Western Australia and is a member of the Australian Institute of Geoscientists.

Ben James BSc. – Technical Director

Ben is a senior geologist with over 10 years experience in the exploration and mining industry. Graduating with a degree in geology from the University of Otago in 1994, he has since held exploration and development roles in a variety of terrains including the Archaean Greenstone belts of Western Australia, Proterozoic gold and base metal systems in Zambia, porphyry gold-copper deposits in the Romanian Carpathians and Ordovician orogenic mesothermal gold mineralisation in New Zealand's South Island. Ben has worked for various companies including Oceana Gold, RSG Global, Katanga Resources, Hill 50 Gold and Herald Resources. As Technical Director of Baobab, Ben's role is focused on the advancement of the Company's projects in Mozambique.

Jonathan Beardsworth - Non-executive Director

Jonathan Beardsworth 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 –B.Com, MBA, CA, Non-executive Director (Resigned 22 November 2008)

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.

Jon Crowe – Non-executive Director (Appointed 17 September 2009)

Alexander Irwin (Jon) Crowe, has been the Company's Market Relations Manager since Baobab's admission to AIM in February 2007. Mr. Crowe has been involved in the exploration industry for over twenty years, providing contract field services as the principal of Menzies Exploration Company Pty Ltd and he has extensive prospecting experience in Australia and southern Africa. He was a Director of ASX-listed Bamboo Gold Mines Limited and a founding Director of ASX-listed Zambezi Resources Limited.



Statement of Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Statement on information given to auditors

Each director at the time of approval of this report confirms so far as the director is aware, there is no relevant audit information of which the auditors are unaware, and he has taken all steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

During the financial year the Board resolved to appoint PKF (UK) LLP as auditor in place of Grant Thornton UK LLP. A resolution to re-appoint PKF (UK) LLP as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Brett Townsend
Director
25 November 2009



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAOBAB RESOURCES PLC

We have audited the financial statements of Baobab Resources plc for the year ended 30 June 2009 which comprise the consolidated and company income statements, the consolidated and company balance sheets, the consolidated and company cash flow statements, the consolidated and company statements of changes in shareholders' equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2009 and of the group's and the parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.



Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PKF(UK) LLP

Stuart Barnsdall (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors

London
25 November 2009



**CONSOLIDATED INCOME STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2009**

| | Note | Year ended 30 June 2009 £ | Year ended 30 June 2008 £ |
|---|------|------------------------------------|------------------------------------|
| Other operating income | 3 | 276,320 | 1,467 |
| Exploration expenses | | (1,265,810) | (1,689,031) |
| Administrative expenses | | <u>(580,645)</u> | <u>(571,085)</u> |
| Operating loss | | (1,570,135) | (2,258,649) |
| Interest Received | | <u>18,765</u> | <u>68,076</u> |
| Loss from continuing operations before tax | 5 | <u>(1,551,370)</u> | <u>(2,190,573)</u> |
| Income tax expense | 7 | — | — |
| Loss for the period attributable to equity holders | | <u>(1,551,370)</u> | <u>(2,190,573)</u> |
| Earnings per share | | | |
| Continuing operations | | | |
| Loss per share basic | 8 | (1.86p) | (3.8p) |
| Loss per share diluted | 8 | (1.86p) | (3.8p) |

CONSOLIDATED BALANCE SHEET AT 30 JUNE 2009

| | Note | Year ended 30 June 2009 £ | Year ended 30 June 2008 £ |
|---|------|------------------------------------|------------------------------------|
| Non-Current Assets | | | |
| Property, plant and equipment | 9 | 58,271 | 114,020 |
| Total Non-Current Assets | | <u>58,271</u> | <u>114,020</u> |
| Current Assets | | | |
| Trade and other receivables | 10 | 1,559 | 73,583 |
| Cash and cash equivalents | | <u>528,760</u> | <u>863,057</u> |
| Total Current Assets | | <u>530,319</u> | <u>936,640</u> |
| Total Assets | | <u>588,590</u> | <u>1,050,660</u> |
| Equity | | | |
| Share capital | 12 | 960,785 | 650,784 |
| Share premium | | 4,247,623 | 3,637,123 |
| Reserves – warrants and options | 13 | 521,518 | 490,209 |
| Reserves - foreign currency translation | | (98,505) | (86,305) |
| Accumulated loss | | <u>(5,420,157)</u> | <u>(3,868,787)</u> |
| Total Equity | | <u>211,264</u> | <u>823,024</u> |
| Current Liabilities | | | |
| Trade and other payables | 11 | <u>377,326</u> | <u>227,636</u> |
| Total Liabilities | | <u>377,326</u> | <u>227,636</u> |
| Total Equity and Liabilities | | <u>588,590</u> | <u>1,050,660</u> |

The financial statements were approved by the board of Directors and authorised for issue on 25 November 2009. They were signed on its behalf by:



Brett Townsend
Director

25 November 2009

**CONSOLIDATED CASH FLOW STATEMENT
 FOR THE YEAR ENDED 30 JUNE 2009**

| | Note | Year ended 30 June 2009 £ | Year ended 30 June 2008 £ |
|---|------|------------------------------------|------------------------------------|
| Net cash used in operating activities | 14 | (520,125) | (561,984) |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | 9 | - | (92,876) |
| Acquisition of intangible assets (exploration) | | <u>(1,010,992)</u> | <u>(1,461,220)</u> |
| Net cash flows used in investing activities | | <u>(1,010,992)</u> | <u>(1,554,096)</u> |
| Cash flows from financing activities | | | |
| Share issue costs | | (30,500) | (94,634) |
| Proceeds from issues of shares | | 951,000 | 1,890,038 |
| Receipts from IFC to acquire interest in joint venture | | <u>276,320</u> | - |
| Net cash flows from financing activities | | <u>1,196,820</u> | <u>1,795,404</u> |
| Net (decrease)/increase in cash and cash equivalents | | (334,297) | (320,676) |
| Cash and cash equivalents at beginning of the period | | <u>863,057</u> | <u>1,183,733</u> |
| Cash and cash equivalents at end of the period | | <u><u>528,760</u></u> | <u><u>863,057</u></u> |

**CONSOLIDATED STATEMENT OF CHANGES
IN SHAREHOLDERS' EQUITY**

| | Share Capital £ | Share Premium £ | Warrants and Options Reserve £ | Foreign Currency Translation Reserve £ | Accumulated Loss £ | Total Equity £ |
|--|-----------------------|-----------------------|--|--|--------------------------|----------------------|
| Balance at 1 July 2007 | 488,195 | 2,004,308 | 393,630 | (17,496) | (1,678,214) | 1,190,423 |
| Translation Reserves | | | | (68,809) | | (68,809) |
| Net income recognised directly in equity | | | | (68,809) | | (68,809) |
| Net loss for the year | | | | | (2,190,573) | (2,190,573) |
| Total recognised income and expense for the period | | | | (68,809) | (2,190,573) | (2,259,382) |
| Shares issued | 162,590 | 1,632,815 | | | | 1,795,404 |
| Employee share based compensation | | | 96,579 | | | 96,579 |
| 30 June 2008 | 650,785 | 3,637,123 | 490,209 | (86,305) | (3,868,787) | 823,024 |

| | Share Capital £ | Share Premium £ | Warrants and Options Reserve £ | Foreign Currency Translation Reserve £ | Accumulated Loss £ | Total Equity £ |
|--|-----------------------|-----------------------|--|--|--------------------------|----------------------|
| Balance at 1 July 2008 | 650,785 | 3,637,123 | 490,209 | (86,305) | (3,868,787) | 823,024 |
| Translation Reserves | | | | (12,200) | | (12,200) |
| Net income recognised directly in equity | | | | (12,200) | | (12,200) |
| Net loss for the year | | | | | (1,551,370) | (1,551,370) |
| Total recognised income and expense for the period | | | | (12,200) | (1,551,370) | (1,563,570) |
| Shares issued | 310,000 | 610,500 | | | | 920,500 |
| Employee share based compensation | | | 31,309 | | | 31,309 |
| 30 June 2009 | 960,785 | 4,247,623 | 521,518 | (98,505) | (5,420,157) | 211,264 |



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General Information

Baobab Resources Plc is a Company incorporated in the United Kingdom and is listed on the AIM market of the London Stock Exchange. 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. These financial statements are presented in pounds sterling which is also the currency of the primary economic environment in which the parent Company operates. The functional currency in Mozambique and Australia which is the economic environment of the trading subsidiaries is the US Dollar and Australian Dollar respectively. 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) and their interpretations as adopted by the European Union and implemented in the UK. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS. The principal accounting policies are set out below.

Going Concern

The financial statements have been prepared in accordance with the going concern basis of accounting.

The Company 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 funds periodically through equity finance or possibly debt facilities.

The Company continues with the exploration and the development of mineral properties in Mozambique. The nature of the group's business is such that there can be considerable unpredictable variation in the timing of cash flows.

As shown in Note 16 since 30 June 2009 the Company has raised a total of £3,285,020 by way of placements and issues of shares from exercise of warrants.

On the basis of the Directors' projections, the Directors consider that the group has adequate financial resources to enable it to undertake its planned programme of exploration activities over the forthcoming twelve months. The Directors consider it appropriate to prepare the financial statements on the going concern basis.

Standards issued but not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations (which have not been applied in these financial statements) were in issue but not yet effective:

- IAS 39 *Financial instruments: recognition and measurement – eligible hedged items* (amended August 2008 and effective 1 July 2009)
- IAS 27 *Consolidated and separate financial statements* (amended January 2008 and effective 1 July 2009)
- IFRS 3 *Business combinations* (revised January 2008 and effective 1 July 2009)
- IFRS 8 *Operating segments* (issued December 2006 and effective 1 January 2009)
- IAS 1 *Presentation of financial statements* (revised September 2007 and effective 1 January 2009)
- IAS 23 *Borrowing costs* (amended March 2007 and effective 1 January 2009)
- IFRS 2 *Share-based payment* (amended March 2007 and effective 1 January 2009)
- IAS 1 and IAS 32 *Presentation of financial statements and Financial instruments: Presentation* (amended February 2008 and effective 1 January 2009)
- IFRS 7 *Financial instruments: disclosures* (amended March 2009 and effective 1 January 2009)
- IAS 39 and IFRIC 9 *Financial instruments: Recognition and measurement, and Reassessment of embedded derivatives* (amended March 2009 and effective 1 July 2008). The amendment has yet to be endorsed by the EU.
- IFRIC 15 *Agreements for the construction of real estate* (issued July 2008 and effective 1 January 2009)
- IFRIC 16 *Hedges of a net investment in a foreign operation* (issued July 2008 and effective 1 October 2008)
- IFRIC 17 *Distributions of non-cash assets to owners* (issued November 2008 and effective 1 July 2009)
- IFRIC 18 *Transfer of assets from customers* (issued February 2009 and effective 1 July 2009)

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the financial statements of the Group except for possible additional segment disclosures when IFRS 8 comes into effect for periods commencing on or after 1 January 2009, and the amendments to the presentations of the



primary statements when IAS 1 (revised) comes into effect which will impact the format of the primary statements.

New standards effective for the first time during the year were not relevant to the Company's operations and have no impact on the results or disclosures of the Company.

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. Goodwill is reviewed annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

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 judgments in applying accounting policies

The significant judgments made by management in applying the accounting policies during the year are included in the annual report under the captions "Going Concern" and "Exploration and Development expenditure".

Key sources of estimation uncertainty

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

Income and expenses recognition

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

Operating and exploration expenses are recognised in the income statement upon utilisation of the service or at the date of their origin in the income statement as incurred.



Foreign currency translation

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing on the dates of the transaction. At the 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.

Loan to subsidiaries are considered to be part of the group's net investment in those subsidiaries. Accordingly, translation differences in respect of such loans are transferred to the group's translation reserve.

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 excludes 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

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, less estimated residual value based on prices prevailing at the date of acquisition, 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 is written off as incurred. Costs will only be carried forward to the extent that they are expected to be recouped through the successful development of the area.

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.

Joint arrangements

The group is engaged in exploration activities which are conducted jointly with other parties under contractual arrangements and, accordingly, the group only reflects its proportionate interest in such assets, liabilities, revenues and expenses.

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. Trade receivables are reviewed and reduced by appropriate allowances for estimated irrecoverable amounts. These financial assets and liabilities are initially recognised at fair value net of transaction costs and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

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 are recorded initially at fair value, net of direct issue costs.

All financial liabilities are recorded at amortised cost using the effective interest method, with interest and 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.
- "Warrants and Option reserve" represents equity-settled share-based employee remuneration until such share options are exercised and equity-settled payments to the Company's broker as part of remuneration for assisting with share placements.
- "Foreign currency translation" represents the differences arising from translation of investments in overseas subsidiaries.

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 "warrants and 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.

Where equity instruments are granted to persons other than employees, these are measured at fair value and recognized over their vesting period with a corresponding increase to Warrants and Options Reserve. Upon the exercise of the award, consideration is recognized in equity.

3. Other operating income

| | 2009 £ | 2008 £ |
|--|----------------|--------------|
| Rent Received | - | 956 |
| IFC receipts to acquire interest joint venture | <u>276,320</u> | <u>511</u> |
| | <u>276,320</u> | <u>1,467</u> |

Operating income includes receipts from International Finance Corporation ("IFC") which acquired a 15% interest in the Company's Tete project.

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 continuing operations before tax

| | 2009 £ | 2008 £ |
|---|-----------|---------------|
| This is stated after charging: | | |
| Depreciation of property, plant and equipment | 54,663 | 56,314 |
| Foreign exchange differences | 110,694 | (270,610) |
| Share based payments | 31,309 | 96,579 |
| Audit services | 25,125 | 31,000 |
| Audit of associates | - | 20,000 |
| Non-audit services - interim accounts | 3,500 | 5,000 |
| Non-audit services – indirect taxes | 6,098 | 1,500 |
| Non-audit services - nominated advisor and reporting accountant services to AIM | <u>-</u> | <u>26,543</u> |



6. Staff costs

Staff costs during the year were as follows:

| | 2009 | 2008 |
|----------------------|----------------|----------------|
| | £ | £ |
| Wages and salaries | 420,101 | 363,456 |
| Share based payments | 31,309 | 96,579 |
| | <u>451,410</u> | <u>460,035</u> |

The average number of employees of the group excluding the non-executive Directors at year end was 36 (2008: 38). Staff were engaged in either exploration, administrative or managerial duties.

The total staff costs for the year comprise of salaries and wages and contract labour costs.

Remuneration in respect of Directors was as follows:

| | 2009 | 2008 |
|------------|----------------|----------------|
| | £ | £ |
| Emoluments | <u>242,478</u> | <u>317,745</u> |
| | <u>242,478</u> | <u>317,745</u> |

Remuneration in respect of the highest paid Director was as follows:

| | 2009 | 2008 |
|------------|----------------|---------------|
| | £ | £ |
| Emoluments | <u>110,729</u> | <u>88,200</u> |
| | <u>110,729</u> | <u>88,200</u> |

During the current financial year the Company granted Options to certain Directors to subscribe for a total of 2,000,000 Ordinary Shares at a price of 6.15p per share.

During the previous financial year the Company 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 2008 at a price per Ordinary Share equal to the placing price, in respect of Tranche B from 1 February 2009 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.

Mr. Tony Walsh resigned as a Non Executive Director on 22 November 2008. His entitlement to 170,000 Tranche A options and 80,000 Tranche B options lapsed on that date.

Mr. Jack Penkin resigned as Chief Financial Officer on 31 December 2008. Mr Penkin's 500,000 options lapsed on that date.

7. Income tax expense

Recognised in the income statement

The tax on operating loss at its effective rate is reconciled to the income tax provided in the financial statements as follows:

| | 2009 | 2008 |
|---|-----------------|-----------------|
| | £ | £ |
| Operating loss | (1,551,370) | (2,190,573) |
| Income tax on operating loss at 30% | (465,411) | (657,172) |
| Non-deductible income tax expenses | 240,716 | 393,079 |
| Income tax benefit not brought to account | <u>224,695</u> | <u>264,093</u> |
| Income tax expense | <u><u>-</u></u> | <u><u>-</u></u> |

Exploration expenditure incurred by Baobab Mining Services Pty Ltd (Australia) is recognized as non-deductible expenses. The exploration expenditure for 2009 is £802,388 (2008: £1,310,264). Previous periods tax computations have been amended to reflect the impact of non-deductible exploration services performed by Baobab Mining Services Pty Ltd on tenements owned by Capitol Resources Ltda.

The Group has estimated accumulated tax losses of £3,128,820 (2008: £2,379,837). This represents an unrecognized deferred tax asset of £938,646 (2008: £713,951) at 30%.

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

8. Loss per share

| | 2009 £ | 2008 £ |
|---|-----------------|----------------|
| 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 | (1,551,370) | (2,190,573) |
| Weighted average number of ordinary shares | | |
| Basic | 83,423,709 | 56,982,513 |
| Dilutive | 83,423,709 | 56,982,513 |
| Loss per share basic | <u>(1.86 p)</u> | <u>(3.8 p)</u> |
| Loss per share diluted | <u>(1.86 p)</u> | <u>(3.8 p)</u> |

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

9. Property, plant & equipment

| | 2009 £ | 2008 £ |
|--|-------------------------------------|-------------------------------------|
| <i>Cost</i> | <i>Plant & Equipment</i> | <i>Plant & Equipment</i> |
| Opening balance at 1 July | 179,863 | 86,987 |
| Additions | - | 92,876 |
| Exchange differences | <u>1,563</u> | <u>-</u> |
| Closing balance at 30 June | <u>181,426</u> | <u>179,863</u> |
| <i>Accumulated depreciation</i> | | |
| Opening balance at 1 July | 65,843 | 9,529 |
| Charge for the year | 54,663 | 56,314 |
| Exchange differences | <u>2,649</u> | <u>-</u> |
| Closing balance at 30 June | <u>123,155</u> | <u>65,843</u> |
| <i>Carrying amounts</i> | | |
| Balance at 30 June | <u>58,271</u> | <u>114,020</u> |



10. Trade and other receivables

| | 2009 | 2008 |
|-------------|--------------|---------------|
| | £ | £ |
| Prepayments | <u>1,559</u> | <u>73,583</u> |

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

11. Trade and other payables

| | 2009 | 2008 |
|--------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 253,311 | 185,806 |
| Accrued expenses | 44,764 | 12,195 |
| PAYE payable | 4,411 | 6,776 |
| Payroll | 4,688 | - |
| Superannuation payable | 1,886 | 3,520 |
| Annual leave entitlement | 33,082 | 19,339 |
| Unearned income | <u>35,184</u> | <u>-</u> |
| | <u>377,326</u> | <u>227,636</u> |

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

12. Share capital

| | 2009 | 2009 | 2008 | 2008 |
|------------------------------|----------------------|-------------------|----------------------|-------------------|
| | Number | £ | Number | £ |
| (a) Authorised Share capital | Nominal Value | | Nominal value | |
| Ordinary shares of 1p each | 1,000,000,000 | 10,000,000 | 1,000,000,000 | 10,000,000 |
| Redeemable shares of £1 each | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> | <u>50,000</u> |
| | <u>1,000,050,000</u> | <u>10,050,000</u> | <u>1,000,050,000</u> | <u>10,050,000</u> |



| | 2009 £ | 2009 No of Shares | 2008 £ | 2008 No of Shares |
|---------------------------------------|------------------|----------------------|------------------|----------------------|
| (b) Alloted, called up and fully paid | | | | |
| Beginning of period | 4,287,907 | 65,078,502 | 2,492,503 | 48,819,502 |
| Issued during the period | | | | |
| Share Capital | 310,000 | 31,000,000 | 162,589 | 16,259,000 |
| Share premium | | | 1,632,815 | |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| End of financial period | <u>5,208,407</u> | <u>96,078,502</u> | <u>4,287,907</u> | <u>65,078,502</u> |

(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) Capital Disclosures

The Company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern;
- to maintain balance sheet strength and optimal capital structure, while ensuring the company's strategic objectives are met; and
- to provide an appropriate return to shareholders relative to the risk of the company's underlying assets.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Corporation's planned requirements. The Board of Directors reviews the Company's capital structure and monitors requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling and/or acquiring assets, and controlling capital expenditures programme.

13. Reserves – Warrants and options

At the time of listing the Company granted Options to Directors and employees to subscribe for a total of 4,150,000 Ordinary Shares 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. A total of 1,000,000 Tranche A options and 550,000 Tranche B options lapsed during the



financial year and 170,000 Tranche A options and 80,000 Tranche B options were forfeited during the previous financial year.

The Options are 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.

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.

In April 2008, the Board approved the issue of 1,350,000 unlisted options to certain employees subject to the establishment of the Baobab Resources Plc Incentive Share Option Plan. The Incentive Share Option Plan has been established and the Company announced the issue of the 1,350,000 unlisted options on 3 June 2008. A total of 800,000 of these options were forfeited in the current financial year.

A summary of the terms and conditions of the remaining 550,000 unlisted options are:

- 275,000 unlisted options exercisable at 11.5p on or before 25 March 2011 vesting on 25 March 2009;
- 275,000 unlisted options exercisable at 13p on or before 25 March 2011 vesting on 25 March 2010;

During the financial year the Company issued a total of 2,000,000 Options to certain directors at an exercise price of 6.15p. The Company also issued 7,333,333 options during the financial year to IFC (International Finance Corporation) at an exercise price of 6.15p.

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

| | 2009 Number | WAEP Pence |
|--|------------------------|-----------------------|
| Outstanding at the beginning of the year | 3,885,000 | 10.34 |
| Granted during the year | 9,333,333 | 6.15 |
| Exercised during the year | - | - |
| Forfeited during the year | <u>(1,550,000)</u> | <u>10.34</u> |
| Outstanding at the end of the year | <u>13,018,333</u> | <u>7.39</u> |
| Exercisable at the year end | <u>12,743,333</u> | <u>7.29</u> |



| | 2008 Number | WAEP Pence |
|--|------------------------|-----------------------|
| Outstanding at the beginning of the year | 5,035,000 | 10.27 |
| Granted during the year | 675,000 | 11.5 |
| Granted during the year | 675,000 | 13.0 |
| Exercised during the year | - | - |
| Forfeited during the year | <u>(1,150,000)</u> | <u>10.00</u> |
| Outstanding at the end of the year | <u>5,235,000</u> | <u>10.77</u> |
| Exercisable at the year end | <u>3,885,000</u> | <u>10.34</u> |

The share options outstanding at the end of the year have a weighted average remaining contractual life of years 2.57 years (2008 - 2.75 years) and have the following exercise prices:

| Expiry date | Exercise price Pence | 2009 Number |
|--------------------|---------------------------------|------------------------|
| 26 January 2010 | 10.0 | 885,000 |
| 1 February 2012 | 10.0 | 1,510,000 |
| 1 February 2012 | 11.0 | 740,000 |
| 25 March 2011 | 11.0 | 275,000 |
| 25 March 2011 | 13.0 | 275,000 |
| 16 April 2012 | 6.15 | <u>9,333,333</u> |
| | | <u>13,018,333</u> |

| Expiry date | Exercise price Pence | 2008 Number |
|--------------------|---------------------------------|------------------------|
| 30 September 2009 | 11.0 | 500,000 |
| 26 January 2010 | 10.0 | 885,000 |
| 1 February 2012 | 10.0 | 1,680,000 |
| 1 February 2012 | 11.0 | 820,000 |
| 25 March 2011 | 11.0 | 425,000 |
| 16 April 2011 | 11.0 | 250,000 |
| 25 March 2011 | 13.0 | 425,000 |
| 16 April 2011 | 13.0 | <u>250,000</u> |
| | | <u>5,235,000</u> |



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

| 2009 | | | | | |
|-----------------------|---------------------------------|----------------------------------|----------------------------|--------------------------------|-------------------------|
| Number Granted | Weighted Ave Share Price | Weighted Ave Option Value | Expected Volatility | Weighted Risk Free Rate | Value of Options |
| 9,333,333 | 4.45p | 6.15p | 100% | 1.10% | £9,600 |

| 2008 | | | | | |
|-----------------------|---------------------------------|----------------------------------|----------------------------|--------------------------------|-------------------------|
| Number Granted | Weighted Ave Share Price | Weighted Ave Option Value | Expected Volatility | Weighted Risk Free Rate | Value of Options |
| 1,350,000 | 14.25p | 10.77p | 70% | 5% | £66,327 |

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.

Dividend yield used in the calculations is Nil.

The Company recognised total expenses of £31,309 (2008 - £96,579) related to equity-settled share-based payment transactions during the year.

Warrants

| | 2009 Number | WAEP Pence |
|--|------------------------|-----------------------|
| Outstanding at the beginning of the year | 12,100,095 | 14.74 |
| Granted during the year | 1,420,000 | 2.75 |
| Exercised during the year | - | - |
| Forfeited during the year | <u>(11,000,000)</u> | <u>15.00</u> |
| Outstanding at the end of the year | <u>2,520,095</u> | <u>6.90</u> |
| Exercisable at the year end | <u>2,520,095</u> | <u>6.90</u> |
| | 2008 Number | WAEP Pence |
| Outstanding at the beginning of the year | 11,000,000 | 15.00 |
| Granted during the year | 1,100,095 | 12.17 |
| Exercised during the year | - | - |
| Forfeited during the year | <u>-</u> | <u>-</u> |
| Outstanding at the end of the year | <u>12,100,095</u> | <u>14.74</u> |
| Exercisable at the year end | <u>12,100,095</u> | <u>14.74</u> |



A total of 11,000,000 warrants to subscribe for fully paid ordinary shares in Baobab Resources PLC, exercisable at 15p each expired on 1 August 2008. The Company issued 1,420,000 warrants during the financial year to Fox-Davies Capital Limited. This comprised of 1,200,000 warrants exercisable at 2.5p, expiring 27 November 2011 and 220,000 warrants exercisable at 4.1p, expiring 27 November 2011. Warrants on issue also include 488,195 warrants exercisable at 13p, expiring 30 October 2010, 460,040 warrants exercisable at 11.5p, expiring 13 December 2010 and 151,860 warrants exercisable at 11.5p, expiring 24 January 2011. The balance of warrants on issue as at 30 June 2009 for the Company amounts to 2,520,095.

14. Notes to the Cash Flow Statement

| | 2009 £ | 2008 £ |
|--|-------------------------|-------------------------|
| Net Loss for the period | (1,551,370) | (2,190,573) |
| Adjustments for: | | |
| Mineral properties written off | 1,010,992 | 1,461,220 |
| Aggregate movements in prepayments and sundry debtors | 73,110 | (61,436) |
| Depreciation of plant & equipment | 54,663 | 56,314 |
| Exchange differences | (12,200) | (68,809) |
| Share based payments | 31,309 | 96,579 |
| Receipts from IFC to acquire interest in joint venture | <u>(276,320)</u> | - |
| Operating cash flows before movements in working capital | (669,816) | (706,705) |
| Decrease/(Increase) in receivables | - | 44,106 |
| Increase in payables | <u>149,691</u> | <u>100,615</u> |
| Net cash from operating activities | <u>(520,125)</u> | <u>(561,984)</u> |

15. Contingent liabilities

There are no contingent liabilities.

16. Events after the balance sheet date

Subsequent to year end the Company has raised a total of £3,285,020 by way of placements and issues of shares from exercise of warrants as follows:

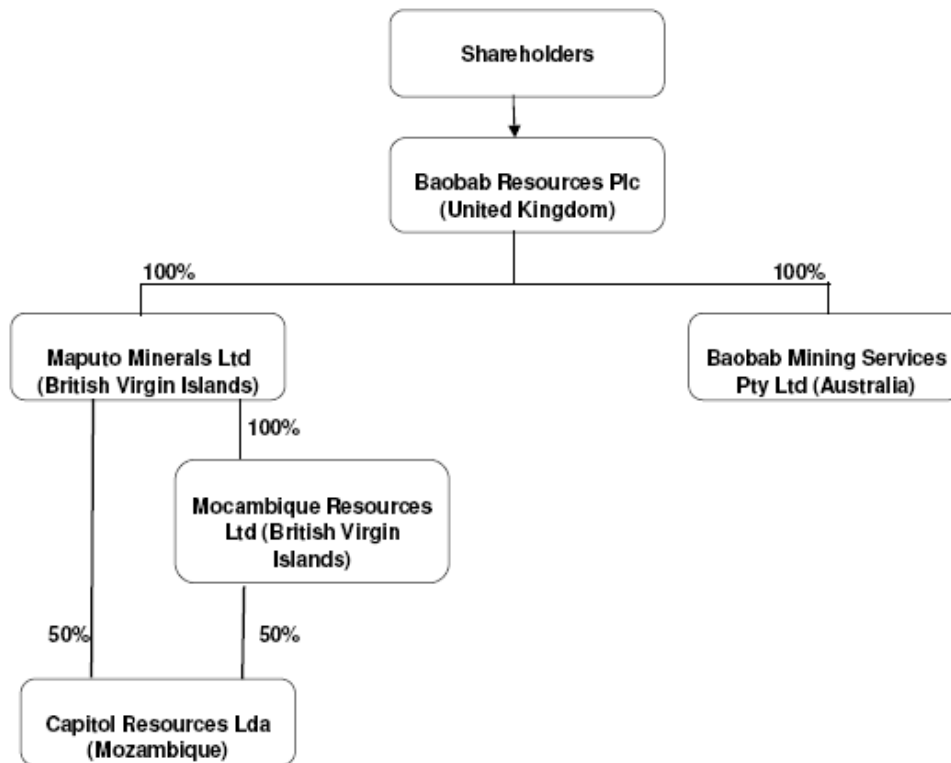
| Date | Description | No of shares | Issue Price | Amount Raised £ |
|-------------------|----------------------|-------------------|-------------|------------------|
| 29 July 2009 | Placement | 5,750,000 | 2 pence | 115,000 |
| 14 August 2009 | Placement | 6,000,000 | 2.5 pence | 150,000 |
| 24 August 2009 | Exercise of warrants | 600,000 | 2.5 pence | 15,000 |
| 18 September 2009 | Exercise of warrants | 600,000 | 2.5 pence | 15,000 |
| 18 September 2009 | Exercise of warrants | 220,000 | 4.1 pence | 9,020 |
| 20 October 2009 | Placement | 45,833,334 | 6 pence | 2,750,000 |
| 2 November 2009 | Placement | 3,850,000 | 6 pence | 231,000 |
| | Total | 62,853,334 | | 3,285,020 |



In relation to the placing of shares the Company issued 2,047,667 share options exercisable at 6p, expiring on 27 October 2012 and 38,500 share options exercisable at 6p per share, expiring 9 November 2012.

17. Subsidiaries

The Baobab Group Structure is illustrated below:





18. Related parties

a) Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

b) Transactions 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.

During the financial year the Company also entered into a joint venture agreement with IFC (“International Finance Corporation”) in relation to the Company's vanadiferous titanomagnetite projects at Tete. Under the agreement, IFC acquired a 15% interest in the Tete project for £276,320, and also contributed on a pro-rata basis to the 2009 exploration budget of the Tete project by spending an additional £227,964. An Annual Exploration Programme and Budget was compiled for the Management Committee which stipulated the Initial Joint Venture exploration expenditure commitment of £1,332,012. This represents the minimum exploration expenditure commitment over 9 months to 30 September 2009.

Consultancy fees of £24,991 (2008 - £24,501) were paid to Millridge Holdings Pty Ltd a Company associated with previous Director Alexander Irwin Crowe. Accounting and company secretarial fees of £47,997 were paid to GDA Corporate Pty Ltd a Company associated with Mr Graham Anderson during the financial year.

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

19. 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 minimizing transactions.

The reporting currency of the business is in GBP. The Company has made loans to its subsidiary Baobab Mining Services Pty Ltd in Australian dollars. The translation risk on the loans is adjusted via the income statement at 30 June each year.

b) Financial instruments

i. Interest rate risk

The Group had no corporate borrowings during the year and as such there was no interest rate risk in relation to borrowings. The Group retains surplus cash balances on short term deposits with rates fixed over those terms (between 1 month and 3 months).

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. At 30 June 2009, if interest rates had moved, as illustrated in the table below, with all other variables held constant, the interest income earned by the Group would have been affected as follows:

| Interest Rate Risk | 2009 | 2008 |
|---|----------------|----------------|
| Judgments reasonable possible | £ | £ |
| <i>Interest Income - Higher/(Lower)</i> | | |
| (+ 1%) | 5,288 | 8,626 |
| (- 1%) | <u>(5,288)</u> | <u>(8,626)</u> |

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 2009 | Floating Interest Rate 2009 £ | Non-Interest Bearing 2009 £ | Total 2009 £ |
|------------------------------------|--|--|--|-----------------------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 3.0% | <u>528,760</u> | - | <u>526,760</u> |
| Total Financial Assets | | <u>528,760</u> | | <u>528,760</u> |
| Liabilities | | | | |
| Trade and other payables | Nil | - | 342,143 | 342,143 |
| Total Financial Liabilities | | <u>-</u> | <u>342,143</u> | <u>342,143</u> |



| | Weighted Average Effective Interest Rate 2008 | Floating Interest Rate 2008 £ | Non-Interest Bearing 2008 £ | Total 2008 £ |
|------------------------------------|--|--|--|-----------------------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 7.6% | 863,057 | - | 863,057 |
| Total Financial Assets | | <u>863,057</u> | | <u>863,057</u> |
| Liabilities | | | | |
| Trade and other payables | Nil | - | 227,636 | 227,636 |
| Total Financial Liabilities | | <u>-</u> | <u>227,636</u> | <u>227,636</u> |

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

All financial liabilities are measured at amortised cost. All financial assets are categorized as loans and receivables.

There is no significant amounts of cash held on term deposit by the Group.

ii. Currency risk

The following sensitivity analysis is based on the currency risk exposure in existence at the balance sheet date. At 30 June 2009, if currency had moved, as illustrated in the table below, with all other variables held constant, the effect on equity of the Group would be as follows:

Currency Risk

Judgments reasonable possible

Currency Conversion - Higher/(Lower)

| | | |
|---------|----------------|----------------|
| (+ 10%) | (171,265) | (104,103) |
| (- 10%) | <u>171,265</u> | <u>104,103</u> |

Currency risk is the risk that arises from the change in price of one currency against another. The Group is exposed to currency risk as its reporting currency is in British Pounds and a proportion of its assets and liabilities are denominated in US Dollars, Australian Dollars and Mozambique Meticals.

iii. Liquidity risk

The Group's practice is to regularly review cash needs including those of its subsidiaries and to place excess funds on fixed term deposits for periods not exceeding three months with an institution that is of high credit rating.

The Group manages liquidity risk by control of expenses and periodic raising of additional equity. The Group has sufficient funds to continue operations for the forthcoming year.



iv. Credit risk

The Group is exposed to credit risk on the financial institution with which it holds cash and short-term deposits, all of which were held with reputable banks. Maximum exposure would be the amounts shown in the balance sheet.

v. Net fair values

The net fair values of financial assets and financial liabilities approximate their carrying value.

20. Key management personnel disclosures

a) Directors

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

Jeremy Dowler
Brett Townsend
Jonathan Beardsworth
Ben James
Tony Walsh (Resigned 22 November 2008)

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:

Brett Townsend – Managing Director
Ben James – Executive Director
Jack Penkin - Chief Financial Officer (resigned 31 December 2008)
Graham Anderson - Chief Financial Officer (appointed 1 January 2009)

c) Key management personnel compensation

| | 2009 | 2008 |
|------------------------------|----------------|----------------|
| | £ | £ |
| Short term employee benefits | <u>306,282</u> | <u>272,161</u> |

In addition, Directors, senior management and staff received share based payments amounting to £31,309. (2008 - £96,579).



d) Equity instrument disclosures relating to key management personnel

i. Shareholdings

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.

| | Balance at start of year | 2009 Changes during the year | Balance at end of year |
|------------------|-------------------------------------|---|---------------------------------------|
| Directors | | | |
| Jeremy Dowler | 5,315,169 | 1,925,000 | 7,240,169 |
| Brett Townsend | 750,000 | - | 750,000 |

Other key Management Personnel

| | Balance at start of year | 2009 Changes during the year | Balance at end of year |
|-----------------------------|-------------------------------------|---|---------------------------------------|
| Alexander (Jon) Irwin Crowe | 7,310,001 | 1,379,999 | 8,690,000 |

e) Loans to key management personnel

There were no loans to key management personnel.

f) Other transactions with key management personnel

Consultancy fees of £24,991 (2008 - £24,501) were paid to Millridge Holdings Pty Ltd a Company associated with Mr Alexander Irwin Crowe. Accounting and company secretarial fees of £47,997 (2008 - £Nil) were paid to GDA Corporate Pty Ltd a Company associated with Mr Graham Anderson during the financial year.



**COMPANY INCOME STATEMENT FOR
 THE YEAR ENDED 30 JUNE 2009**

| | Note | Company Year ended 30 June 2009 £ | Company Year ended 30 June 2008 £ |
|---|------|---|---|
| Other operating income | | 34 | 24,120 |
| Administrative expenses | | <u>(965,593)</u> | <u>(2,997,477)</u> |
| Loss from operations before tax | | (965,559) | (2,973,357) |
| Income tax expense | 2 | <u> -</u> | <u> -</u> |
| Loss for the period attributable to equity holders of the parent | | <u>(965,559)</u> | <u>(2,973,357)</u> |

COMPANY BALANCE SHEET AT 30 JUNE 2009

| | Note | Company Year ended 30 June 2009 £ | Company Year ended 30 June 2008 £ |
|-------------------------------------|------|---|---|
| Non-Current Assets | | | |
| Investment in subsidiaries | 4 | 3 | 3 |
| Total Non-Current Assets | | <u>3</u> | <u>3</u> |
| Current Assets | | | |
| Cash and cash equivalents | | <u>3,608</u> | <u>6,529</u> |
| Total Current Assets | | <u>3,608</u> | <u>6,529</u> |
| Total Assets | | <u><u>3,611</u></u> | <u><u>6,532</u></u> |
| Equity | | | |
| Share capital | 7 | 960,785 | 650,785 |
| Share premium | | 4,247,623 | 3,637,123 |
| Reserves – warrants and options | 8 | 521,518 | 490,209 |
| Accumulated loss | | <u>(5,765,577)</u> | <u>(4,800,018)</u> |
| Total Equity | | <u><u>(35,651)</u></u> | <u><u>(21,901)</u></u> |
| Current Liabilities | | | |
| Trade and other payables | 6 | <u>39,262</u> | <u>28,433</u> |
| Total Equity and Liabilities | | <u><u>3,611</u></u> | <u><u>6,532</u></u> |

The financial statements were approved by the board of Directors and authorised for issue on 25 November 2009. They were signed on its behalf by:



Brett Townsend
Director

25 November 2009



**COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009**

| | Note | Year ended 30 June 2009 £ | Year ended 30 June 2008 £ |
|---|------|------------------------------------|------------------------------------|
| Net cash generated (used) / from operating activities | 9 | (245,524) | 115,979 |
| Cash flows from investing activities | | | |
| Purchases of mineral properties | | — | — |
| Net cash flows used in investing activities | | — | — |
| Cash flows from financing activities | | | |
| Share issue costs | | (30,500) | (94,634) |
| Proceeds from share issues | | 951,000 | 1,890,039 |
| Loans to subsidiaries | | <u>(677,897)</u> | <u>(2,928,284)</u> |
| Net cash flows from financing activities | | <u>242,603</u> | <u>(1,132,879)</u> |
| Net (decrease) / increase in cash and cash equivalents | | (2,921) | (1,016,900) |
| Cash and cash equivalents at beginning of the period | | <u>6,529</u> | <u>1,023,429</u> |
| Cash and cash equivalents at end of the period | | <u>3,608</u> | <u>6,529</u> |



**COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
 FOR THE YEAR ENDED 30 JUNE 2009**

| | Share Capital £ | Share Premium £ | Warrants and Options Reserve £ | Accumulated Loss £ | Total Equity £ |
|--|-----------------------|-----------------------|--|--------------------------|----------------------|
| Balance at 1 July 2007 | 488,195 | 2,004,308 | 393,630 | (1,826,661) | 1,059,472 |
| Net loss for the year | | | | (2,973,357) | (2,973,357) |
| Total recognized income and expense for the period | | | | (2,973,357) | (2,973,357) |
| Shares issued | 162,590 | 1,632,815 | | | 1,795,405 |
| Employee share based compensation | | | 96,579 | | 96,579 |
| 30 June 2008 | 650,785 | 3,637,123 | 490,209 | (4,800,018) | (21,901) |

| | Share Capital £ | Share Premium £ | Warrants and Options Reserve £ | Accumulated Loss £ | Total Equity £ |
|--|-----------------------|-----------------------|--|--------------------------|----------------------|
| Balance at 1 July 2008 | 650,785 | 3,637,123 | 490,209 | (4,800,018) | (21,901) |
| Net loss for the year | | | | (965,559) | (965,559) |
| Total recognized income and expense for the period | | | | (965,559) | (965,559) |
| Shares issued | 310,000 | 610,500 | | | 920,500 |
| Employee share based compensation | | | 31,309 | | 31,309 |
| 30 June 2009 | 960,785 | 4,247,623 | 521,518 | (5,765,577) | (35,651) |



NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Significant accounting policies

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. 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. Income tax expense

The tax on operating loss at its effective rate is reconciled to the income tax provided in the financial statements as follows:

| | 2009 | 2008 |
|---|--------------------|--------------------|
| | £ | £ |
| Operating loss | (965,559) | (2,973,357) |
| Income tax on operating loss at 30% | (289,668) | (892,007) |
| Income tax benefit not brought to account | <u>289,668</u> | <u>892,007</u> |
| Income tax expense | <u> -</u> | <u> -</u> |

The company has estimated accumulated tax losses of £5,765,577 (2008: £4,800,018). This represents an unrecognized deferred tax asset of £1,729,673 (2008: £1,440,005) at 30%.

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 company can utilise the benefits therefrom.

3. Inter-company Loans

| | 2009 | 2008 |
|--|--------------------|--------------------|
| | £ | £ |
| Loans to subsidiaries | 4,518,741 | 3,840,845 |
| Provision for write down - loans to Subsidiaries | <u>(4,518,741)</u> | <u>(3,840,845)</u> |
| | <u> -</u> | <u> -</u> |

These loans are interest free and repayment of the loans is neither planned nor likely in the foreseeable future.



4. Investment in subsidiaries

| | 2009 | 2008 |
|--------|-------------|-------------|
| | £ | £ |
| Shares | <u>3</u> | <u>3</u> |
| | <u>3</u> | <u>3</u> |

Details of the Company's subsidiaries at 30 June 2009 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.

5. Trade and other payables

| | 2009 | 2008 |
|-----------------|---------------|---------------|
| | £ | £ |
| Trade creditors | <u>39,262</u> | <u>28,433</u> |
| | <u>39,262</u> | <u>28,433</u> |

6. Share capital

The movements in share capital are disclosed in Note 12 to the consolidated financial statements.

7. Reserves – Warrants and options

Reserves – warrants and options are disclosed in Note 13 to the consolidated financial statements.



8. Notes to the Cash Flow Statement

| | 2009 | 2008 |
|--|-------------------------|-----------------------|
| | £ | £ |
| Net Loss for the period | (965,559) | (2,973,357) |
| Adjustments for: | | |
| Loans to subsidiaries | 677,896 | 2,928,285 |
| Aggregate movements in prepayments and sundry debtors | - | 36,277 |
| Non cash benefits (Options) | <u>31,309</u> | <u>96,579</u> |
| Operating cash flows before movements in working capital | (256,354) | 87,784 |
| Increase in payables | <u>10,830</u> | <u>28,195</u> |
| Net cash from operating activities | <u>(245,524)</u> | <u>115,979</u> |

9. Financial instruments

The financial risk management disclosures for the Company are covered in note 19 to the Group financial statements

Interest rate risk

The Company'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 2009 | Floating Interest Rate 2009 £ | Non-Interest Bearing 2009 £ | Total 2009 £ |
|-----------------------------|--|--|--|-----------------------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 1% | <u>3,608</u> | - | <u>3,608</u> |
| Total Financial Assets | | <u>3,608</u> | | <u>3,608</u> |
| Liabilities | | | | |
| Trade and other payables | Nil | <u>-</u> | <u>39,263</u> | <u>39,263</u> |
| Total Financial Liabilities | | <u>-</u> | <u>39,263</u> | <u>39,263</u> |



| | Weighted Average Effective Interest Rate 2008 | Floating Interest Rate 2008 £ | Non-Interest Bearing 2008 £ | Total 2008 £ |
|-----------------------------|--|--|--|-----------------------------|
| Financial Assets | | | | |
| Cash and cash equivalents | 2.5% | <u>6,529</u> | - | <u>6,529</u> |
| Total Financial Assets | | <u>6,529</u> | | <u>6,529</u> |
| Liabilities | | | | |
| Trade and other payables | Nil | - | 28,432 | 28,432 |
| Total Financial Liabilities | | <u>-</u> | <u>28,432</u> | <u>28,432</u> |

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

All financial liabilities are measured at amortised cost. All financial assets are categorized as loans and receivables.

There are no significant risks relating to the Company's financial instruments

10. Related parties

a) Key management personnel

Disclosures relating to key management personnel are set out in Note 12.

b) Transactions with related parties

The Company provides interest free loans to its subsidiaries on a continual basis to fulfill operational and exploration commitments engaged during the financial year. Loan transactions between the parent entity and subsidiaries for the 30 June 2009 financial year amounted to £677,896 (2008 - £2,928,285). The loans are expensed directly to the income statement.

Consultancy fees of £24,991 (2008 - £24,501) were paid to Millridge Holdings Pty Ltd a Company associated with Mr Alexander Irwin Crowe.

11. Key management personnel disclosures

a) Directors

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

Jeremy Dowler
Brett Townsend
Jonathan Beardsworth
Ben James
Tony Walsh (resigned 22 November 2008)

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:

Brett Townsend – Managing Director
Ben James – Executive Director
Jack Penkin - Chief Financial Officer (resigned 31 December 2008)
Graham Anderson - Chief Financial Officer (appointed 1 January 2009)

c) Key management personnel compensation

| | 2009 £ | 2008 £ |
|-------------------------|---------------|---------------|
| Directors' remuneration | <u>44,000</u> | <u>64,000</u> |

In addition, Directors and staff received share based payments amounting to £31,309 (2008 - £96,579).

d) Loans to key management personnel

There were no loans to key management personnel.



13. Events after the balance sheet date

Subsequent to year end the Company has raised a total of £3,285,020 by way of placements and issues of shares from exercise of warrants as follows:

| Date | Description | No of shares | Issue Price | Amount Raised £ |
|-------------------|----------------------|---------------------|--------------------|------------------------|
| 29 July 2009 | Placement | 5,750,000 | 2 pence | 115,000 |
| 14 August 2009 | Placement | 6,000,000 | 2.5 pence | 150,000 |
| 24 August 2009 | Exercise of warrants | 600,000 | 2.5 pence | 15,000 |
| 18 September 2009 | Exercise of warrants | 600,000 | 2.5 pence | 15,000 |
| 18 September 2009 | Exercise of warrants | 220,000 | 4.1 pence | 9,020 |
| 20 October 2009 | Placement | 45,833,334 | 6 pence | 2,750,000 |
| 2 November 2009 | Placement | 3,850,000 | 6 pence | 231,000 |
| | Total | 62,853,334 | | 3,285,020 |

In relation to the above placements the Company issued 2,047,667 share options exercisable at 6p, expiring on 27 October 2012 and 38,500 share options exercisable at 6p per share, expiring 9 November 2012.