

6 December 2011

Baobab Resources

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/10	0.0	(2.0)	(1.4)	0.0	N/A	N/A
06/11	0.0	(6.1)	(3.6)	0.0	N/A	N/A
06/12e	0.0	(2.4)	(1.3)	0.0	N/A	N/A
06/13e	0.0	(2.5)	(1.0)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Investment summary: Scoping study analysis

On 29 November, Baobab released the results of the scoping study prepared for it on the Tete Project by independent consultants, Coffey Mining. Two scenarios were considered. Scenario A involved milling at a rate of 6.4Mtpa to produce 3Mtpa of titano-magnetite concentrate, grading 58% Fe and 0.7% vanadium pentoxide (V₂O₅) for a post-tax NPV of US\$247m from US\$448m in initial capex. Scenario B involved milling at a rate of 3.6Mtpa in order to produce 1.0Mtpa of pig iron for a post-tax NPV of US\$892m from US\$690m in initial capex. On the basis of the reported NPVs, Baobab's management has stated a marked preference towards the development of Scenario B.

Resource upgrades with more to come

On 31 October, Baobab announced a 66%, or 107Mt, increase in its resources at Tete, to 267Mt at 29.4% Fe (vs 26.8% previously). At the global, weighted average value of in-situ iron ore resources, we calculate this resource alone would support a valuation of 20p per share (before dilution). Given our estimate of the likely size of Baobab's resource in the light of the drilling that has yet to be incorporated into a revised resource statement, we estimate that a share price of 46p can be supported. Assuming our estimate of Baobab's likely resource base plus additional blue-sky, we estimate that a share price in excess of 100p can be supported (see Exhibits 9, 10 and 11).

Valuation: Everything points to 45-50p

The stated NPV of Scenario B (at a 10% discount rate) of US\$892m is equivalent to US\$4.72 (£3.02) per Baobab share, currently. In our experience, companies at the scoping study stage of a project typically trade at a discount of between 76% and 91% to NPV, on which basis we would expect Baobab's market value to lie in the range US\$147m (±US\$68m), or £0.496 (±0.227) per share, which correlates closely to the median resource valuation noted above. The discount should then narrow, to 51% (±25%), when Baobab completes its pre-feasibility study and then to 40% (±30%) when it proceeds with the development of the project. Once successfully in production, it could trade at a premium.

Price 14.12p
Market Cap £27m

Share price graph



Share details

Code BAO
Listing AIM
Sector Mining
Shares in issue 189.0m

Price

52 week High 53.8p Low 10.2p

Balance Sheet as at June 2011

Debt/equity (%) N/A
NAV per share (p) 2.6
Net cash (£m) 5.7

Business

Baobab Resources is focused on developing its Tete iron-vanadium-titanium open-pit project in central-western Mozambique. A pre-feasibility study is expected to start in Q411.

Valuation

	2011	2012e	2013e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	N/A	N/A	N/A
ROE	N/A	N/A	N/A

Geography based on revenues

UK	Europe	US	Other
0%	0%	0%	100%

Analyst

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Tete project feasibility study

On 29 November, Baobab released the results of the scoping study prepared for it on the Tete Project by independent consultants, Coffey Mining.

The scoping study considered two potential scenarios for the development of the iron ore resources at Tete:

- **Scenario A.** This involves the production of 3Mtpa of titano-magnetite concentrate and 0.5Mtpa ilmenite concentrate products for export. It assumes a crusher feed rate of approximately 6.4Mtpa to produce 3.0Mtpa of 150µm titano-magnetite concentrate, grading 58% Fe and 0.7% vanadium pentoxide (V_2O_5). The concentrate would then be beneficiated using a conventional low intensity magnetic separation (LIMS) circuit with the non-magnetic stream passing through a combined wet, high intensity magnetic separation (WHIMS) and gravity separation circuit to generate 0.5Mtpa ilmenite by-product concentrate, grading c 50% titanium dioxide (TiO_2). Initial capital expenditure for this project is estimated by Coffey to be US\$448m.
- **Scenario B.** This involves capitalising on the project's access to low tariff hydro-electric power and its strategic proximity to thermal coal reserves to add further value on site through the mine-mouth smelting of 1Mtpa pig iron. It assumes a lower crusher feed rate, of approximately 3.7Mtpa, to produce 1.7Mtpa of 150µm titano-magnetite concentrate, which would then be re-milled to 45µm and agglomerated before being refined to produce 1.0Mtpa of pig iron via direct reduction in multi-hearth furnaces and rotary kilns prior to smelting in an electric arc furnace (EAF), with titanium and other impurities slagged off. Vanadium would be recovered separately as an additional slag product via air blast, before the product is cast into pig iron billets. In addition, 0.3Mtpa of 50% TiO_2 ilmenite concentrate will be produced. This technology is essentially the same as that used by other operations in the world, such as New Zealand Steel and Highveld Steel & Vanadium in South Africa. Initial capital expenditure for this project is estimated to be US\$690m.

The study assumed long-term prices for pig iron, titano-magnetite concentrate and ilmenite concentrate of US\$450/t, US\$90/t and US\$150/t, respectively. A summary of the results of the study is as follows:

Exhibit 1: Tete project scoping study results

Note: * After capex; ** At 10% discount rate.

Item	Unit	Scenario A	Scenario B
Resource base	Mt	93	93
Product produced	Mtpa	3	1
Gross Revenue	US\$m	5,133	12,101
Royalty	US\$m	154	363
Net Revenue	US\$m	4,979	11,738
Operating Expenditure	US\$m	2,735	4,571
Initial capex	US\$m	448	690
Sustaining capex	US\$m	101	297
Cash-flow	US\$m	1,695	6,180
Annual average cash-flow*	US\$m	143	275
Pre-tax NPV**	US\$m	467	1,361
Pre-tax Internal Rate of Return (IRR)	%	28	34
Payback	Years	4.1	3.2
Mine life	Years	15	25

Source: Coffey Mining, Baobab Resources

The study assumed a conventional open pit drill and blast, load and haul operation and was modelled on the 93Mt resource at Ruoni North only. Its accuracy with respect to capital and operating costs was estimated to be within $\pm 40-50\%$.

Key capital cost estimates were as follows:

Exhibit 2: Tete project estimated capital costs

Item	Unit	Scenario A	Scenario B
Infrastructure	US\$m	32	32
Concentrator	US\$m	200	130
Smelting & refining	US\$m	0	390
Mining	US\$m	5	3
Rail	US\$m	170	90
Port	US\$m	5	5
Feasibility study	US\$m	20	20
Total	US\$m	432	670

Source: Coffey Mining, Baobab Resources

Key operating cost assumptions were:

Exhibit 3: Tete project estimated opex costs

Note: * After capex; ** At 10% discount rate.

Item	Unit	Scenario A	Scenario B
Processing	US\$/t milled	5.40	5.75
Smelting & refining	US\$/t concentrate		57.00
Contract mining	US\$/t mined	2.50	3.00
General & administration	US\$m pa	8.00	6.00
Rail	US\$/t concentrate	15.00	15.00
Port	US\$/t concentrate	7.00	7.00

Source: Coffey Mining, Baobab Resources

In the study, it was assumed that the port facilities at Beira and Nacala will be appropriately upgraded. As such, the port capital cost relates to only the mobile equipment required to load and haul the material onto the ship loader feed.

Power costs are based on hydro-electric power supplied by the Cahorra Bassa dam at US\$0.06/kWh. The cost of coal is assumed to be US\$90/t ex-works from one of the nearby coalfields.

In addition, a flat tax rate of 32% was assumed, with no credits for past exploration (or indeed capital) expenditure undertaken. It also assumed 100% equity funding.

Electric arc furnace technology

The primary benefit of the use of electric arc furnaces, as opposed to blast furnaces, is the large reduction in the energy required to produce a unit weight of steel. In addition, whereas blast furnaces are unable to vary their production and are necessarily run in continuous operation, electric arc furnaces can be rapidly started and stopped, allowing the steel mill to vary production according to demand.

Tete project resources

A summary of Baobab's current global resource is as follows:

Exhibit 4: Baobab Resources' global JORC-compliant resources

		Tonnage (Mt)	Fe (%)
Chitongue Grande	Inferred	60.9	24.9
South Zone	Inferred	113	27.5
Ruoni North	Inferred	93.4	34.6
Total	Inferred	267.3	29.4

Source: Baobab Resources

The mineralised horizons contain internal partings of non-mineralised waste material, which may act as a dilutant. This is not unusual; in the absence of sampling, which has not been done at this stage, it is not possible to predict overall weight recoveries and recovered grades. Based on Davis Tube Recovery (DTR) results performed so far, however, the expected average concentrate characteristics for the mineralised material are as follows:

Exhibit 5: Concentrate characteristics of mineralised material from DTR tests

	Ore grades (%)			Mass recovery	Concentrate grades (%)		
	Fe	V ₂ O ₅	TiO ₂		Fe	V ₂ O ₅	TiO ₂
Ruoni North	34.6%	0.4%	12.7%	47%	58%	0.8%	12.9%
Chitongue Grande	24.9%	0.2%	9.6%	20%	64%	0.7%	4.8%
Global resource	27.5%	0.2%	10.1%	31%	61%	0.7%	9.0%

Source: Baobab Resources

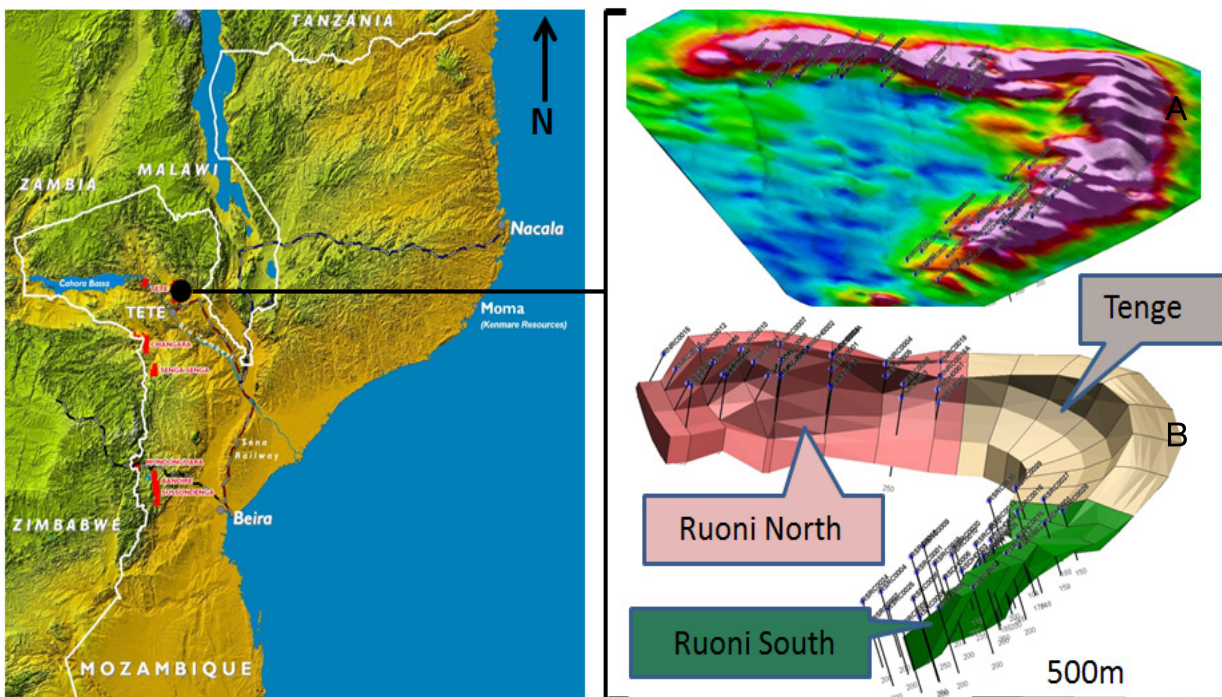
The high mass recoveries at Ruoni North indicate that it will yield more than double the concentrate per tonne of ore processed than either the South Zone or Chitongue Grande.

The Tenge/Ruoni target was acquired less than a year ago and is the easternmost prospect area of the Massamba Group. After the assessment of geophysical data, drilling and mapping have confirmed the target's prospectivity for iron, vanadium and titanium, intersecting heavily mineralised packages varying in thickness from 60m to 150m. Interpretation of the exploration work has

defined the structure as a west-northwest plunging synform, which has been divided into three resource blocks, Ruoni North, Ruoni South and Tenge.

- Ruoni North is a south-dipping (25° to 50°) 1km strike along the northern limb of the target. 37 RC and diamond holes have been completed across seven traverses for a total of 5,750m (155m per hole).
- Ruoni South is a north-dipping (c 65°) 1.2km strike along the southern limb of the target; 27 RC and diamond holes for a total of 5,200m (193m per hole) have been completed across the target. The average head grade of all significant intercepts at Ruoni South is reported to be 30% Fe with weighted-average DTR concentrate grades of 63% Fe, 1% V_2O_5 and 6.4% TiO_2 at a mass recovery of 27%. Of note is the consistent vanadium pentoxide grade of 1%, which is 25% higher than Ruoni North and c 40% higher than the South Zone and Chitongue Grande resource areas. We are expecting extensive mineralised extensions at depth for Ruoni South.
- Tenge is the hinge zone of the fold and covers an approximate strike of 1.3km. Dips are moderate and range in orientation from southwest to northwest (Exhibit 6). RC drilling on this block began in early September 2011. To date, approximately 2,250m of a total 3,000-4,000m drilling programme has been completed.

Exhibit 6: Tenge/Ruoni: geophysics (A) and drilling (B) have shown the target to be a west-northwest plunging synform



Source: Baobab Resources, Edison Investment Research

In our notes of November 2011, we estimated Baobab’s global resource (on the basis of contemporary assay results), as follows:

Exhibit 7: Edison estimate for Baobab's near-term resource potential

Note: * Chimbala and Tenge/Ruoni.

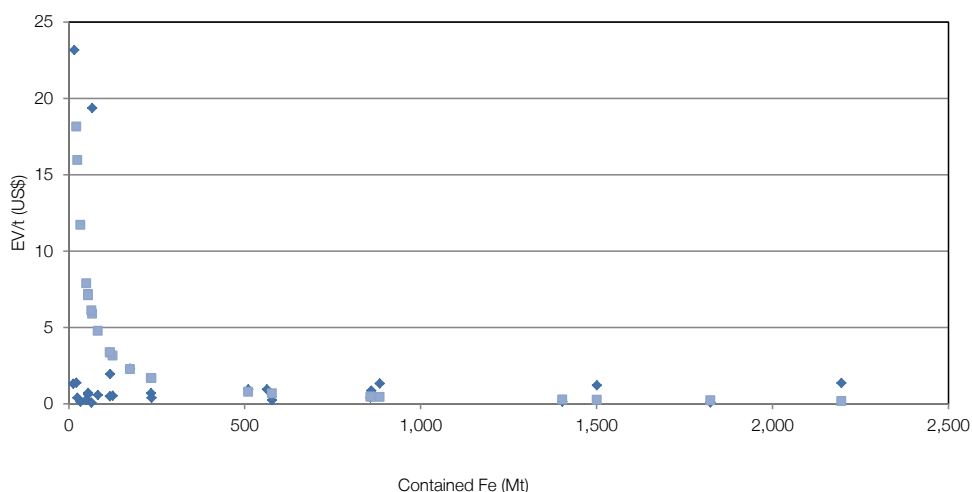
Zone	Tonnage (Mt)	Grade (Fe %)
Chitongue Grande Resource (JORC)	60.9	24.9
South Zone Resource (JORC)	113	27.5
Ruoni North (JORC)	93.4	34.6
Sub-total	267.3	29.4
Estimate of additional resources*	393.2	34.8
Grand total (mid-) estimate	660.5	32.6

Source: Edison Investment Research, Baobab Resources

Drilling is on-going at Tenge and results are expected imminently.

Tete project valuation: Resources

Baobab's shares are currently trading at a level (14.12p) that gives the company an enterprise value of c US\$0.50 per tonne of JORC-compliant iron resource. This compares to industry average valuations (varied according to the size of the resource) as shown below:

Exhibit 8: Iron ore company valuations (EV/t contained iron) vs resource size (Mt of contained iron)

Source: Edison Investment Research

A number of interpretations are possible:

- As can be seen from the graph, the iron ore sector may essentially be divided into two. One portion reflects higher valuations of companies for which resource upgrades are anticipated in the future. The other portion reflects lower valuations for companies at which the resource is not anticipated to grow (or at which a larger resource is either unnecessary or undesirable).
- Considering the second portion, the weighted average valuation of the low-rated companies (regardless of resource size) is US\$0.74/t and the un-weighted average is US\$0.65/t.
- For the highly-rated companies, we justify the valuations indicated in terms of an expectation that JORC-code-compliant resources will eventually increase to a particular size. So, in the case of these companies, it makes sense for there to be a simple inverse relationship between the valuation of EV/t in US dollars and the resource measured in

contained tonnes of Fe. Our best-fit line for the sector on the basis of this assumption is shown in blue.

As far as Baobab is concerned, this generates four options:

- 1) Its resource remains at 267.3Mt at 29.4% Fe and is valued at US\$0.74/t, in line with the sector average for companies with little or no blue-sky exploration potential. (We do not consider this likely or appropriate, but it is a worst-case scenario valuation for the company).
- 2) Its resource of 267.3Mt at 29.4% is given an appropriate valuation for a company with such a resource with 'average' blue-sky exploration potential (the point on the blue line that corresponds to a resource of 78.6Mt of contained Fe). In this case, the appropriate valuation would be US\$5.01/t.
- 3) Baobab's resource grows to 660.5Mt at 32.6% Fe (in line with our expectations) and is then given an ex-resource growth rating by the market (US\$0.74/t).
- 4) Baobab's resource grows to 660.5Mt at 32.6% Fe and keeps a growth rating appropriate for its size (potentially on the basis of success at Singore, Monte Muande and/or Mundonguara etc) – the point on the blue line that corresponds to a resource of 215.3Mt of contained Fe, which in this case, is US\$1.83/t.

A summary of these four valuation scenarios is given in Exhibit 9 below:

Exhibit 9: Baobab's valuation under four resource and rating scenarios

Note: * 189.0m shares in issue. US\$1.5639/£.

Resource	Scenario 1 267.3Mt @ 29.4% Fe	Scenario 2 267.3Mt @ 29.4% Fe	Scenario 3 660.5Mt @ 32.6% Fe	Scenario 4 660.5Mt @ 32.6% Fe
EV/t Fe valuation (US\$/t)	0.74	5.01	0.74	1.83
Valuation (US\$m)	49.41	334.53	135.41	334.88
Per share (US cents)*	30.86	176.99	71.64	177.17
Per share (pence)*	19.74	113.17	45.81	113.29
Share price (pence)	13.88	13.88	13.88	13.88
Discount (%)*	-29.7	-87.7	-69.7	-87.8

Source: Edison Investment Research, Baobab Resources

Note that the valuation in scenarios 2 and 4 is effectively identical, which is expected given that they both derived from the same best-fit line described in Exhibit 8.

Having now completed its scoping study, we estimate that Baobab will be able to finance the balance of the c US\$15m required to advance the project through PFS (including other running costs) until FY14 via its £17m equity facility and current cash. The equity facility enables Baobab the right, but not the obligation, to obtain funding at any time during the next three years via subscriptions for new shares in the company, priced at a 6% discount to the market price at timings, intervals and in sizes determined by the company. In addition, Baobab's Tete JV partner, IFC, has committed to a pro-rata contribution of c US\$1.3m to advance exploration across the tenement this year.

Exhibit 10 demonstrates the likely dilution faced by existing equity holders in the light of Baobab's near-term financing requirements:

Exhibit 10: Effect of fund raisings on Baobab's equity shares in issue at varying prices

Shares in issue (millions)	189.0	189.0	189.0	189.0	189.0	189.0	189.0	189.0
Funds to be raised via Dutchess facility (£m)	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Additional funds to be raised (£m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Market price at time of raising (pence)	13.88	15.00	20.00	25.00	30.00	35.00	40.00	50.00
Discounted price (pence)	13.04	14.10	18.80	23.50	28.20	32.90	37.60	47.00
New shares issued (millions)	115.3	106.7	80.0	64.0	53.3	45.7	40.0	32.0
Total shares in issue (millions)	304.3	295.7	269.0	253.0	242.4	234.7	229.0	221.0
Increase (%)	61.0	56.4	42.3	33.9	28.2	24.2	21.2	16.9

Source: Edison Investment Research, Baobab Resources

Exhibit 11 shows the effect on the four valuation scenarios in Exhibit 9 of Baobab issuing shares to raise the remaining £15m of the equity facility at a range of prices (NB the company has indicated that it will draw-down money at a minimum share price of 25p only). Note that the valuation of US\$335m (Exhibit 9) is shown once only:

Exhibit 11: Effect of fund raisings on Baobab's valuation per share

Note: * see Exhibit 9; bold figures indicate valuations above current Baobab share price.

Price at which funds raised (pence)	13.88	15.00	20.00	25.00	30.00	35.00	40.00	50.00
New total shares in issue (millions)	304.3	295.7	269.0	253.0	242.4	234.7	229.0	221.0
Valuation of US\$49m per share (US cents)*	16.24	16.71	18.37	19.53	20.39	21.05	21.58	22.36
Valuation of US\$135m per share (US cents)*	44.49	45.80	50.34	53.52	55.88	57.69	59.13	61.27
Valuation of US\$335m per share (US cents)*	110.03	113.25	124.48	132.35	138.18	142.66	146.22	151.52
Valuation of US\$49m per share (pence)*	10.38	10.69	11.74	12.49	13.04	13.46	13.80	14.30
Valuation of US\$135m per share (pence)*	28.45	29.28	32.19	34.22	35.73	36.89	37.81	39.18
Valuation of US\$335m per share (pence)*	70.36	72.42	79.60	84.63	88.36	91.22	93.50	96.88

Source: Edison Investment Research, Baobab Resources

On this basis, it can be seen that Baobab's share price is currently discounting the discovery of no more resource than that already reported, plus a degree of dilution associated with additional equity fund raising.

Tete project valuation: Scoping study

The published results of the scoping study performed by Coffey indicate a post-tax NPV for Scenario A (the titano-magnetite and ilmenite concentrate option) of US\$247m and of US\$892m for Scenario B (the pig iron option).

On the basis of these results, Baobab management has stated a marked preference for Scenario B (the pig iron option), which is considered here. In this case, the stated NPV of US\$892m is equivalent to US\$4.72 (£3.02) per Baobab share, currently.

In our experience, companies at the scoping study stage of developing a project trade at a discount to NPV of between 76% and 91%, with an average discount of 83.5%. On this basis, we would expect Baobab's market value to lie in the range US\$147m (±US\$68m), or US\$0.775 (±US\$0.355) per share, or £0.496 (±0.227) per share. Note that this correlates closely with the valuation of Scenario 3 in Exhibit 9 (the median valuation), on the basis of our estimate of Baobab's

likely resource, given the drilling results that it has reported. The discount should then narrow, to 51% ($\pm 25\%$), when Baobab completes its pre-feasibility study and then to 40% ($\pm 30\%$) when it proceeds with the development of the project. Once successfully in production, it is possible for a company to trade at a premium to its NPV, calculated using a discount rate of 10%.

In addition to this valuation, we are able to make the following estimate of the likely annual economics of the operation, on the basis of the estimates and assumptions set out previously:

Exhibit 12: Tete project estimated annual economics

Total material mined (Mtpa)	11.4
Waste mined (Mtpa)	7.9
Ore mined (Mtpa)	3.6
Strip ratio	2.2
Mill feed (Mt)	3.7
Grade (% Fe)	34.8
Contained Fe (Mt)	1.3
Titano-magnetite concentrate	
Mass recovery (%)	47.3
Concentrate production (Mtpa)	1.8
Fe in concentrate (%)	58.0
Pig iron production (Mtpa)	1.0
Ilmenite concentrate	
Mass recovery (%)	8.0
Ilmenite concentrate (Mtpa)	0.2
Prices	
Pig iron (US\$/t)	450
Titanium magnetite concentrate (US\$/t concentrate)	90
Ilmenite concentrate, TiO ₂ (US\$/t)	150
Revenue (US\$m)	
Pig iron	456.8
Titanium magnetite	
Ilmenite	23.4
Gross revenue (US\$m)	480.2
Royalty (%)	3.0
Royalty (US\$m)	14.4
Net revenue (US\$m)	465.8
Total cash costs (US\$m)	212.2
Gross profit (US\$m)	253.6

Source: Edison Investment Research, Coffey Mining, Baobab Resources

After tax and capex, the current valuation of this cash-flow is US\$882m (vs US\$892m in Coffey's scoping study).

Timing is, as yet, uncertain, but for the purposes of the following analysis, Edison has assumed that FY12 and FY13 will be consumed with additional drilling, before Baobab seeks to raise finance for, and start construction of, Scenario B. In this case, we have assumed that Baobab will seek to achieve a maximum leverage ratio of 50% in FY15, before being reduced by positive cash flows from FY16 onwards. On the basis of these assumptions – and assuming for these purposes that Baobab has to raise additional equity financing at the current share price (entailing the issuing of an additional c 1bn shares to raise c £150m gross) – our financial estimates for a typical production year for Baobab would be as follows:

Exhibit 13: Tete project estimated financials (GBP unless otherwise stated)

Revenue	291,106,033
Cost of sales	132,610,168
Gross profit	158,495,866
Other operating income	0
Exploration expenses	-1,700,000
Administrative expenses	-4,535,366
Depreciation	-17,455,940
Operating profit (loss)	134,804,560
Net interest received	-16,023,141
Profit (loss) from continuing operations before tax	118,781,419
Income tax expense	38,010,054
Marginal tax rate (%)	32
Profit after tax	80,771,365
Minority interest	12,115,705
Minority interest (%)	15
Profit attributable to equity shareholders	68,655,660
Dividend	0
Retained earnings	68,655,660
Weighted no. of shares in issue	1,331,157,892
Derivatives etc.	24,331,012
Fully diluted shares in issue	1,355,488,904
Earnings per share	
Continuing operations	
Profit (loss) per share basic (pence)	5.16
Profit (loss) per share diluted (pence)	5.07

Source: Edison Investment Research, Coffey Mining, Baobab Resources

Note that if Baobab is instead able to raise the £150m at 50p per share, then fully diluted earnings per share will increase to 12.95p (vs 5.07p).

Sensitivities

A number of opportunities exist to improve the economics of the project. These may be summarised as follows:

Coal. The project as it stands uses cheaper, thermal coal, and not coking coal, as its principal power source to produce direct reduced iron (DRI) in the rotary kilns, before onward beneficiation to steel in an electric arc furnace. The cost of the thermal coal was budgeted at US\$90/t in the scoping study. After tentative discussions with third parties however, management is confident that it will be able to purchase coal from nearby works (primarily concentrating on higher value, export, coking coal) for c US\$65/t, thereby engendering a saving of c US\$25/t or an estimated c US\$15m per annum compared to the estimated economics depicted in Exhibit 12.

Power. Power costs are based on hydro-electric power supplied by the Cahora Bassa dam at US\$0.06/kWh. This is more expensive than some current clients of Cahorra Bassa on long term contracts, but in line with new customers and notably cheaper than average tariffs in the rest of the world. Baobab's total power requirement under Scenario B is estimated to be 100MW (including beneficiation). Given the DRI process route envisaged, potentially 60% of the project's power could be supplied by co-generation. Again, this has not been modelled in any of our assumptions (or Coffey's), to date.

By products. Currently, any titanium that is processed via the EAF is assumed to be slagged off. No value has been accorded to this material, although process optimisation in the future could allow for its profitable recovery.

Future milestones

Baobab's flagship asset is the Tete project (85% owned, 15% IFC), consisting of three areas of magnetite-ilmenite mineralisation: the Massamba Group Trend in the north and the satellite deposits of Tenge/Ruoni to the east and Singore to the south. Tenge/Ruoni is the focus of current work, with c 11,000m of drilling already completed at Ruoni and a programme of 3,000-4,000m underway at Tenge. We expect the announcement of a maiden resource at Ruoni South during Q411, followed by an update including Tenge by early Q112. A 30,000m drilling programme was planned for Tete in 2011, and despite minor setbacks in timing through the middle of the year, the company has expanded the programme to c 40,000m and is on target to complete campaigns on time and on budget. In addition to the c 31,000m already drilled (and ongoing) at the South Zone and Tenge/Ruoni, Baobab has carried out the following work during the first three quarters of 2011:

- A 2,000m drilling campaign has been completed at the Monte Muande magnetite/phosphate project with first assay results expected shortly. Trench sampling has also been completed to assess direct shipping ore (DSO) potential.
- The company is receiving tenders for completing a variety of aspects for the pre-feasibility study (PFS) for Tete.
- Drilling is underway at the Mundonguara nickel/copper/gold project.

Exhibit 14: Financials

Year end 30 June	£'000s	2009	2010	2011	2012e	2013e
		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		276	0	0	0	0
Cost of Sales		0	0	0	0	0
Gross Profit		276	0	0	0	0
EBITDA		(1,515)	(2,001)	(6,116)	(2,485)	(2,485)
Operating Profit (before GW and except.)		(1,570)	(2,040)	(6,137)	(2,507)	(2,507)
Intangible Amortisation		0	0	0	0	0
Exceptionals		0	0	0	0	0
Other		0	0	0	0	0
Operating Profit		(1,570)	(2,040)	(6,137)	(2,507)	(2,507)
Net Interest		19	79	77	114	37
Profit Before Tax (norm)		(1,551)	(1,961)	(6,060)	(2,392)	(2,470)
Profit Before Tax (FRS 3)		(1,551)	(1,961)	(6,060)	(2,392)	(2,470)
Tax		0	0	0	0	0
Profit After Tax (norm)		(1,551)	(1,961)	(6,060)	(2,392)	(2,470)
Profit After Tax (FRS 3)		(1,551)	(1,961)	(6,060)	(2,392)	(2,470)
Average Number of Shares Outstanding (m)		83.4	142.1	168.0	188.3	245.9
EPS - normalised (p)		(1.9)	(1.4)	(3.6)	(1.3)	(1.0)
EPS - FRS 3 (p)		(1.9)	(1.4)	(3.6)	(1.3)	(1.0)
Dividend per share (p)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
BALANCE SHEET						
Fixed Assets		58	28	248	227	206
Intangible Assets		0	0	0	0	0
Tangible Assets		58	28	248	227	206
Investments		0	0	0	0	0
Current Assets		530	2,318	5,712	5,845	19,470
Stocks		0	0	0	0	0
Debtors		2	3	4	0	0
Cash		529	2,315	5,708	1,845	11,470
Current Liabilities		(377)	(612)	(1,090)	(644)	(644)
Creditors		(377)	(612)	(1,090)	(644)	(644)
Short term borrowings		0	0	0	0	0
Long Term Liabilities		0	0	0	0	0
Long term borrowings		0	0	0	0	0
Other long term liabilities		0	0	0	0	0
Net Assets		211	1,733	4,870	5,428	19,033
CASH FLOW						
Operating Cash Flow		(539)	(1,538)	(3,474)	(960)	(518)
Net Interest		19	79	77	114	37
Tax		0	0	0	0	0
Capex		(1,011)	(6)	(175)	(4,000)	(4,000)
Acquisitions/disposals		0	0	0	0	0
Financing		1,197	3,251	6,964	983	14,106
Dividends		0	0	0	0	0
Net Cash Flow		(334)	1,786	3,393	(3,863)	9,626
Opening net debt/(cash)		(863)	(529)	(2,315)	(5,708)	(1,845)
HP finance leases initiated		0	0	0	0	0
Other		(0)	(0)	0	0	0
Closing net debt/(cash)		(529)	(2,315)	(5,708)	(1,845)	(11,470)

Source: Baobab Accounts, Edison Investment Research

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