

**BAOBAB**  
RESOURCES

**Baobab Resources plc**

Company Number 5590467

**ANNUAL REPORT**

**30 JUNE 2011**



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## **CHAIRMAN'S STATEMENT**

Baobab Resources plc ("Baobab" or the "Company") has continued to make significant progress during the year in Mozambique, for the most part concentrating on its Massamba iron/vanadium/titanium project. Drilling commenced in February with the intention of bringing 300 million tonnes into resource categories at the completion of the 2011 drilling programme. The resource drilling programme at South Zone was completed in June culminating in a JORC inferred resource of 113 Mt with concentrate grades of 61% Fe, 0.7% V<sub>2</sub>O<sub>5</sub> and 7.7% TiO<sub>2</sub> at a mass recovery of 23%.

On 31 October the Group announced that the Chitongue Grande resource had been increased to 61 million tonnes at a head grade of 25% Fe with indicative average concentrate grade of 64% Fe, 0.7% V<sub>2</sub>O<sub>5</sub> and 5% TiO<sub>2</sub> at a mass recovery of 20%. On 31 October the Group also announced the estimation of a 93 Mt Inferred Resource at Ruoni North with a head grade of 35% Fe and an indicative average concentrate grade of 58% Fe, 0.8% V<sub>2</sub>O<sub>5</sub> and 13% TiO<sub>2</sub> at a mass recovery of 47%. The high mass recoveries recorded at the Ruoni North deposit means that it will yield more than double the concentrate per tonne of ore processed compared with the South Zone or Chitongue Grande.

The 267 Mt JORC global Inferred Resource reports an average head grade of 29% Fe with weighted average concentrate grades of 61% Fe, 0.7% V<sub>2</sub>O<sub>5</sub> and 9% TiO<sub>2</sub> at a Mass Recovery of 31%. The Group anticipates that the Ruoni South resource estimate scheduled for late December and the Tenge resource estimate scheduled for January 2012 will add substantially to this global resource.

In addition to the above, reconnaissance work at Singore has been very encouraging and rock chip samples returned DTR concentrate grades up to 64.1% Fe with 47.7% mass recovery. The Group will consider resource drilling at both Singore and Chimbala in 2012.

Tete has demonstrated that it is an emerging mining and industrial hub of southern Africa with majors Vale and Rio Tinto/Tata Steel developing massive coal projects with mining of both thermal and metallurgical coal commencing this year. Coal fired power plants are in the planning stage and expansion of low tariff hydro-electric power from Cahora Bassa and Mphanda N'kuwa is also planned. Railways connecting Tete to the ports of Beira and Nacala are being refurbished as are the ports themselves. The Group also has Nippon Steel and Jindal Steel as neighbours as well as Ncondezi Coal and Beacon Hill Resources.

The Tete project has proved that it has high potential and the Group will continue to advance development during the coming year as rapidly as possible as it moves into pre-feasibility studies. In early September a scoping study was initiated in order to investigate the potential of unlocking the iron and steel potential of Massamba which is situated in strategic proximity to abundant low tariff hydro-electric power, coal resources and water.

Consideration is being given to smelting of concentrate to produce pig iron and a further upgrade to generate steel products. The development of higher value products on site reduces exposure to market fluctuations and mitigates the requirement to compete for rail infrastructure.

In November 2010, the Company entered into a Joint Venture Agreement with North River Resources plc (North River) over their Monte Muande licences whereby Baobab would earn an initial 60% interest in return for spending not less than \$625,000 on a 2,000 metre diamond drilling programme. These licences adjoin the Tete project licences and are prospective



mainly for magnetite and phosphorus and were subject to an exploration campaign undertaken by the Geological Institute of Belgrade in 1983 to 1985. Compilation of historical trench and drill hole data led to independent consultants giving an iron and phosphate exploration target of 200Mt to 250Mt down to an average depth of only 40 metres, the limit of previous drilling. Of particular interest is the fact that the target includes 3Mt to 5Mt of eluvial material grading between 45% and 55% Fe which potentially could be upgraded to a DSO (Direct Shipping Ore) product. A high level review of available metallurgical data indicates that a magnetite concentrate containing 67% Fe could be generated via a simple, cost-effective process of coarse grinding and magnetic separation, followed by regrinding and a flotation circuit to recover a valuable phosphate rock concentrate. The first round of analytical results from the diamond drilling programme is due during December and analysis is also underway to assess the DSO potential of the eluvial material.

The Group's other projects notably the Mundonguara Nickel/Copper/Gold project and the Changara project are covered in some detail in the Project Overview.

The Company has raised funds as and when required and a share placement of 11,625,000 at 40p per share was completed in April 2011 raising £4,650,000 before expenses. In addition to these funds the International Finance Corporation (IFC), a member of the World Bank group, contributed USD\$1,291,000 as its joint venture funding for the Tete project in April.

In October 2010 Baobab secured a three year Equity Line Facility ("ELF") of up to £5 million with Dutchess Opportunity Cayman Fund Ltd. The ELF was arranged by First Columbus LLP, Dutchess's joint venture partner in the UK. We believe that this is a cost effective solution for some future financings with management being in control of the timing on accessing capital. In March £1,111,000 was drawn down through the issue of 4,946,572 shares at a price of 22.46p and the ELF was increased to £17 million in April. Following the March draw down a total of £1,958,700 has been drawn down by the Company to date.

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 encouragement. We firmly believe that Baobab is poised for further exploration and development success in 2012.

**Jeremy Dowler**  
**Chairman**

## **PROJECT OVERVIEW**

Baobab continues to strengthen and expand its strategic position in Mozambique. Work completed during the reporting period has focused on the Tete iron/vanadium/titanium project where aggressive resource drilling campaigns are rapidly building the global resource inventory towards the targeted 300Mt and beyond. A scoping study is currently underway to assess how the Company may best take advantage of the project's unique proximity to abundant low tariff hydro-electric power and coal reserves to unlock substantial additional onsite value through mine-mouth smelting of pig iron and steel products.

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

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

Preliminary coal exploration programmes are on-going in areas of the Tete project and Muande joint venture. These areas represent a very real and exciting opportunity for Baobab to establish a firm footing in the flourishing Mozambique coal sector. The Company believes that the development of coal assets will add substantially to its evolving iron and steel aspirations.

During the reporting period, a total of 440,748 warrants and 4,761,167 unlisted options were exercised, raising £436,523. The Company also established a £5m equity draw down facility which was successfully trialled during December 2010 with a £420,000 placement.

Milestones are largely being reached on time and on budget with results exceeding expectations. The Board and management team remain firmly committed to building a long term, sustainable exploration and mining business in Mozambique.

## **PROJECT REPORT**

### **Tete Iron / Titanium / Vanadium Project**

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

The Tete province hosts the largest undeveloped coal reserves on the planet and, with estimates pointing towards the area producing up to 20% of the world's coking coal by 2015, is fast-tracking to become a mining and industrial hub of global significance.

Immediately south of Baobab's tenure, and sharing the Company's licence boundaries, are reserves and resources of c.15 billion tonnes of coking and thermal coal being brought into production by two of the world's largest mining companies, Rio Tinto and Vale, along with premier steel producers, Tata Steel, Nippon Steel and Jindal Steel. Other operators in the area include AIM listed companies Beacon Hill Resources plc, Ncondezi Coal Company plc and Eurasian Natural Resources Corporation plc (ENRC).

Low tariff hydro-electric power is readily available from the 2,075 megawatt Cahora Bassa dam. Studies are underway to expand the dam's capacity by an additional 1,300 megawatts. A new 1,500 megawatt scheme at Mphanda N'kuwa, also on the Zambezi, is in advanced planning stages and due to commence production in 2015. The Company believes that it will be able to negotiate tariff rate at a third, if not a quarter, of typical power generation costs in Australia or west Africa which will have a significant impact on future operating costs.

The railway connecting Tete with the port of Beira is being refurbished, as is the port. The deep water port of Nacala and railway linking the port with the interior is also being refurbished under the auspices of a consortium including the Mozambique government, Vale and the World Bank.

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

The project contains two areas of titano-magnetite / ilmenite mineralisation; the Singore area to the south and the Massamba Group in the north. The Massamba Group is composed of a series of three prospects (Chitongue Grande, Chimbala and South Zone) forming an 8km long trend and the 3.5km long Tenge / Ruoni prospect to the east.

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

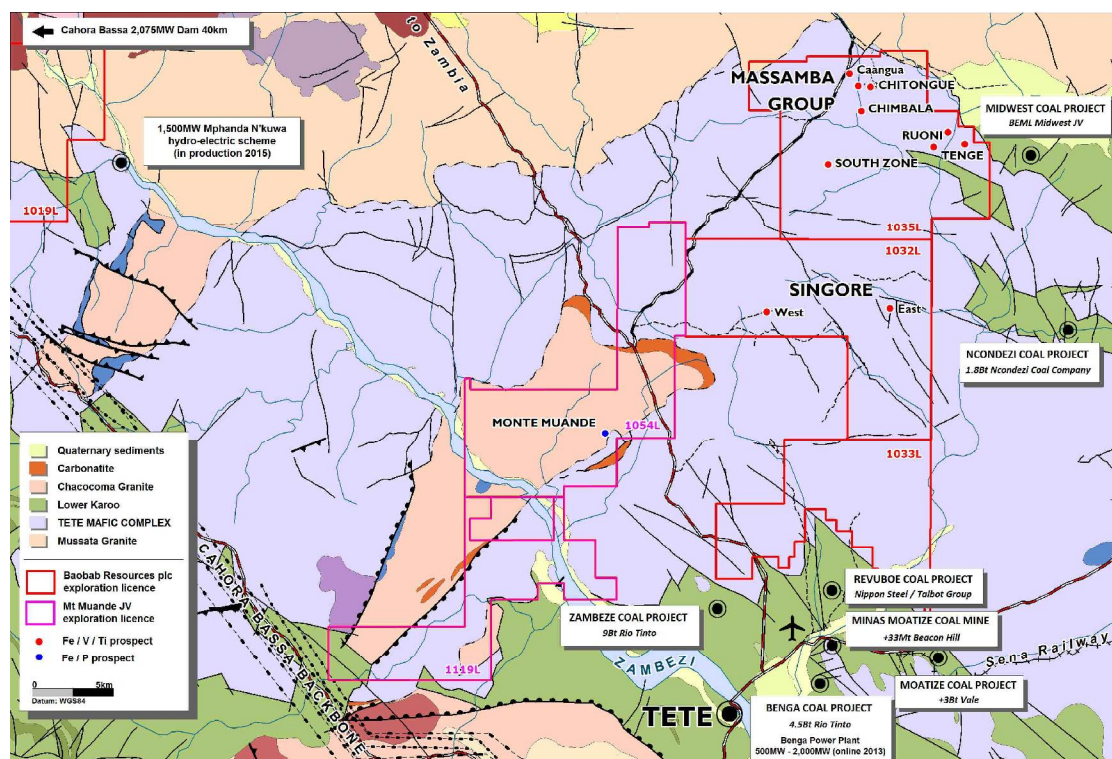


Figure 1: project geology & infrastructure

**Exploration Summary 2009 – 2010: from concept to Company flagship**

In March 2009, Baobab collared the first ever drill hole into the Massamba Group titanomagnetite deposits. Within six months the Company had not only established a 47.7mt JORC Inferred Mineral Resource over a 500m portion of the Chitongue Grande prospect, but also a 400mt to 700mt Exploration Target over the broader Massamba Group area.

Independent scoping metallurgical studies and financial modelling completed during 2009 indicated positive project economics in the production of high quality titanomagnetite/vanadium and ilmenite (titanium) concentrate commodities from a resource base of 300Mt.

A scout drilling programme, designed to assess the Chimbala and South zone prospects of the Massamba Group trend, was completed during 2010 for an aggregate total of approximately 7,500m. The purpose of the campaign was two-fold: to improve confidence in the Company's Exploration Target and to clarify geological domains for continued metallurgical test-work.

***Exploration Summary 2011: project acceleration and consolidation of resource base***

The 2011 field season has seen a dramatic acceleration of exploration campaigns with up to eight drill rigs on the ground completing resource programmes over five areas for an aggregate total of c.38,000m. The primary focus of this year's campaign has been to define the base requirement of 300Mt.

Ten months into the year and the global resource inventory has been expanded from 48Mt to 267Mt over three deposits; Ruoni North, Chitongue Grande and South Zone. With a third resource statement based on the completed drilling programme at Ruoni South due out at the end of November, it is looking likely that the 300Mt milestone will be exceeded.

The 267Mt JORC global Inferred Resource is tabled below and reports an average head grade of 29% Fe with weighted average concentrate grades of 61% Fe, 0.7% V<sub>2</sub>O<sub>5</sub> and 9% TiO<sub>2</sub> at a Mass Recovery of 31%.

<b>Tete Iron Ore Project</b> <b>Summarised Grade Tonnage Report</b> <b>Whole Rock Grade Estimates Derived by Ordinary Kriging</b> <b>No Lower Grade Cutoff Applied</b> <b>Resource Classification Based on JORC Code (2004) Guidelines</b>															
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AREA	Resource Classification	Tonnage (Mt)	Fe (%)	V <sub>2</sub> O <sub>5</sub> (%)	TiO <sub>2</sub> (%)	SiO <sub>2</sub> (%)	Al <sub>2</sub> O <sub>3</sub> (%)	P (%)	LOI (%)	CaO (%)	K <sub>2</sub> O (%)	MgO (%)	Mn (%)	Na <sub>2</sub> O (%)	S (%)
<b>Ruoni North</b>	Inferred	93.4	34.6	0.4	12.7	12.8	10.2	0.003	-1.6	2.6	0.2	5.0	0.2	1.2	0.2
<b>Chitongue Grande</b>	Inferred	60.9	24.9	0.2	9.6	29.4	12.0	0.003	-0.2	4.8	0.7	4.6	0.2	2.1	0.3
<b>South Zone</b>	Inferred	113.0	27.5	0.2	10.1	25.9	8.0	0.290	-0.7	5.2	0.3	6.9	0.3	1.2	0.3

<b>TOTAL</b>	Inferred	267.3	29.4	0.3	10.9	22.1	9.7	0.124	-0.9	4.2	0.4	5.7	0.2	1.4	0.3
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The 2011 campaign season commenced in February with resource drilling at the South Zone prospect. This work culminated in the announcement of an 113Mt JORC Inferred Mineral Resource on the 30th August 2011. The resource, which remains open at depth and along strike, reports an iron head grade of 28% Fe with an indicative average concentrate grade of 61% Fe, 0.7% V<sub>2</sub>O<sub>5</sub> and 7.7% TiO<sub>2</sub> at a mass recovery of 23%.

An extensional resource drilling campaign at Chitongue Grande has also been completed with the down dip and along strike projections of the existing resource intersected. On 31 October, the Company announced that the Inferred Resource made been expanded from 48Mt to 61Mt.

The resource reports a head grade of 25% Fe with an indicative average concentrate grade of 64% Fe, 0.7% V<sub>2</sub>O<sub>5</sub> and 5% TiO<sub>2</sub> at a mass recovery of 20%.

Tenge/Ruoni is the easternmost prospect area of the Massamba Group. Drilling at Tenge/Ruoni is nearing completion and has intersected a heavily mineralised package varying in thickness from 60m to 150m. Mineralisation has been synformally folded with the fold hinge plunging gently to the west-northwest. Exploration campaigns in the prospect area have been divided into three resource blocks:

- Ruoni North: representing 1km of strike along the northern limb of the fold. Thirty seven reverse circulation (RC) and diamond holes have been completed to date across seven traverses for an aggregate total of c.5,750m. Drilling has intersected a substantial package of mineralisation from surface dipping at 25° to 50° to the southwest.

On 31 October, the Company announced the estimation of a 93Mt Inferred Resource at Ruoni North with a head grade of 35% Fe and an indicative average concentrate grade of 58% Fe, 0.8% V<sub>2</sub>O<sub>5</sub> and 13% TiO<sub>2</sub> at a mass recovery of 47%. The high mass recoveries recorded at the Ruoni North deposit means that it will yield more than double the concentrate per tonne of ore processed than its South Zone or Chitongue Grande counterparts.

- Ruoni South: representing 1.2km of strike along the southern limb of the fold. Twenty seven RC and diamond holes have been completed for an aggregate total of 5,200m. Mineralisation in the Ruoni South area is generally steeper dipping (c.65° to the north).

The average head grade of all Ruoni South significant intercepts reported to date is 30% Fe with the DTR concentrate grades reporting a weighted average of 63% Fe, 1% V<sub>2</sub>O<sub>5</sub> and 6.4% TiO<sub>2</sub> at a mass recovery of 27% (see announcements dated 28 September and 27 October 2011 for details). Of particular interest is the consistent 1% V<sub>2</sub>O<sub>5</sub> concentrate grade which is 25% higher than results reported from Ruoni North and some 40% higher than indicated concentrate grades from South Zone and Chitongue Grande resource areas.

- Tenge: representing the hinge zone of the fold and covering a strike length of approximately 1.3km. A Drilling programme of 3,000m to 4,000m is well underway with an aggregate total of 2,250m already completed. Drilling has outlined broad zones of strong mineralisation.

Consultant, Coffey Mining Pty Ltd, is currently developing a geological model for the Ruoni South block and is waiting on assay results to complete a resource estimate (scheduled for the end of November). The Company anticipates receiving the first analytical results from Tenge during December.

### ***Forward Programme***

Following on from the *Proof of Concept* work of 2009 and 2010, the Company has embarked on an aggressive 2011 exploration campaign focused on expanding the Massamba Group resource inventory to the targeted 300Mt.

The Ruoni South resource statement, presently being compiled by Coffey Mining, will ensure that the 300Mt target is met, if not exceeded. A further resource statement based on current work programmes at Tenge is scheduled for early 2012 and is likely to add substantially to the existing global resource inventory, pushing it well beyond perceived base requirements.

Due to the unprecedented exploration success at Tenge/Ruoni, resource drilling at the Chimbala prospect has been reprioritised. Chimbala remains an excellent resource target and, along with the largely untested Singore prospects, will be assessed during the 2012 drilling campaigns.

Baobab is working alongside Coffey Mining to compile a revised Scoping Study. The study is drawing on the results of the resource calculations, metallurgical test work and a recently completed infrastructure review together with mine scheduling and pit optimisation studies currently underway to build a financial model assessing the economic viability of various process scenarios, including;

- *Base case:* 10Mtpa mill throughput to generate 3Mt magnetite and 0.5Mt ilmenite concentrate products for export.
- *Value Add:* taking advantage of the project's strategic proximity to abundant low tariff hydro-electric power and coal reserves to add substantial value on site through mine-mouth smelting of pig iron and steel products.

Preliminary findings of the *Scoping Study* will be announced in November 2011. It is the Company's intention to commence a *Pre-Feasibility Study* (PFS) in Q4 2011 / Q1 2012. Assuming a successful PFS programme, a *Definitive Feasibility Study* (DFS) will be launched in late 2012.

### **Muande Joint Venture Project**

In November 2010 Baobab entered into a Joint Venture (JV) with North River Resources plc ('North River') in relation to North River's Muande project (the 'project') located immediately west of the Company's flagship Tete asset. Baobab has a right to earn up to 90% in the project.

The Muande project comprises two exploration licences, covering an area of 338km<sup>2</sup>, which are valid until Q3 2014. The principal areas of interest are the Monte Muande magnetite/phosphate deposit and Rio Mufa coal prospect.

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

### ***Monte Muande Magnetite/Phosphate Deposit***

The Monte Muande magnetite/phosphate deposit is located 25km to the northwest of the provincial capital of Tete. The international highway to Zambia passes within 3km of the project. The deposit is hosted in a carbonatite and was explored during the 1980s by the Geological Institute of Belgrade (GIB). GIB completed two phases of vertical diamond drilling between 1983 and 1985 totalling 5,570m, 2,960m of which falls within the Joint Venture area. The institute also completed more than 10km of trenching.

More recently, Omega Corp (and latterly Mavuzi Resources) completed detailed exploration programmes investigating the uranium, gold, copper and coal potential of the area. During 2006-2007, Omegacorp completed a detailed soil geochemical survey over an area of 19 square kilometres extending from the Monte Muande deposit in the northeast to the southern limit of the 1054L licence boundary, 9km to the southwest. The sampling grid overlies a robust, linear magnetic trend marking the margin of the Chacocoma Granite.

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

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

Upon entering into a Joint Venture, Baobab compiled all drill hole and trench data from the Geological Institute of Belgrade 1983 – 1985 exploration campaign into a digital format. Internationally respected consultancy, Coffey Mining Pty Ltd ('Coffey'), was then commissioned to assess the exploration target potential of the Monte Muande area for iron and phosphate mineralisation. Coffey used drill hole and trench data sets as well as more recent soil geochemistry and aeromagnetic surveys completed by Omegacorp in the assessment and carried out the following:

- Compiled an indicator kriging (IK) model to confirm the general trend of mineralisation.
- Compiled 3d wireframes of the various material types.
- Carried out an inverse distance calculation using the available grades within the mineralised wireframes.
- Defined the possible surface area of the similar host rock to the southwest of Mt Muande and assigned target tonnages proportionally (no grades have been assigned to this material).

Indicative tonnage and grade ranges are presented in Table 1. Lower target tonnages have been derived from extrapolations of drillhole / trench mineralisation intersections to an average depth of 42m from below surface level (the absolute range is down to 135m). Upper target tonnages have assumed an additional 20% of mineralised material will be identified with addition drilling. There is no reason to believe that mineralisation will not be encountered below the modelled depths.

<b>Mt Muande Magnetite and Phosphate Project</b>								
<b>Indicative Tonnages and Grades<sup>1</sup></b>								
			<b>Tonnes Range (Mt)</b>		<b>Grade Ranges</b>			
Area	Material Type	Density (t/m <sup>3</sup> )	Lower	Upper	Fe%		P <sub>2</sub> O <sub>5</sub> %	
					Lower	Upper	Lower	Upper
<b>Mt Muande Drilled / Trenched Zone</b>	Eluvial	3.5	3	5	45	55	3	7
	Lower Grade	2.7	90	110	4	10	2	7
	Higher Grade	3.0	30	35	20	25	2	7
<b>Southwest Extension<sup>1</sup></b>	Marble Hosted		80	100	-	-	-	-

<sup>1</sup> Without drillhole sampling data available, there is a higher degree of risk allotted to the indicative tonnages in the southwest extension

*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.*

Coffey also carried out a high level review of the metallurgical data from the Muande project. Detailed historical reports are not currently available, however a summary of works completed indicated that a magnetite concentrate containing 67% Fe could be generated via a process of coarse grinding (to 0.3mm) and magnetic separation, followed by regrinding and a flotation circuit to recover an apatite (phosphate rock) concentrate containing 36% P<sub>2</sub>O<sub>5</sub>. Total magnetite and apatite recoveries of 92% and 70% respectively were recorded.

No metallurgical test work appears to have been completed on the eluvial mineralised material. Coffey assumes that this material will be able to be upgraded via simple gravity concentration processes such as cobbing and spirals. They conclude that the resulting process could produce a potential direct shipping ore (DSO) product. Baobab has excavated a series of trenches to enable representative sampling of the eluvial horizons. Approximately 50 samples have been collected and are currently at the ALS Chemex laboratories in Perth, Western Australia for analysis.

Baobab has recently completed a c.2,000m diamond drilling at Monte Muande. The programme comprised 10 angled drill holes sited along a staggered traverse transecting the central portion of the deposit. Drilling has intersected broad zones of shallowly dipping magnetite and apatite mineralisation.

Sample preparation at 1m and 2m composite intervals is being completed by ACT-UIS laboratories in Tete, Mozambique prior to despatch to ALS Chemex for further compositing, Davis Tube Recovery (DTR) and X-ray Fluorescence Spectrometry (XRF) analysis. The company anticipates that the first round of analytical results may be announced during November.

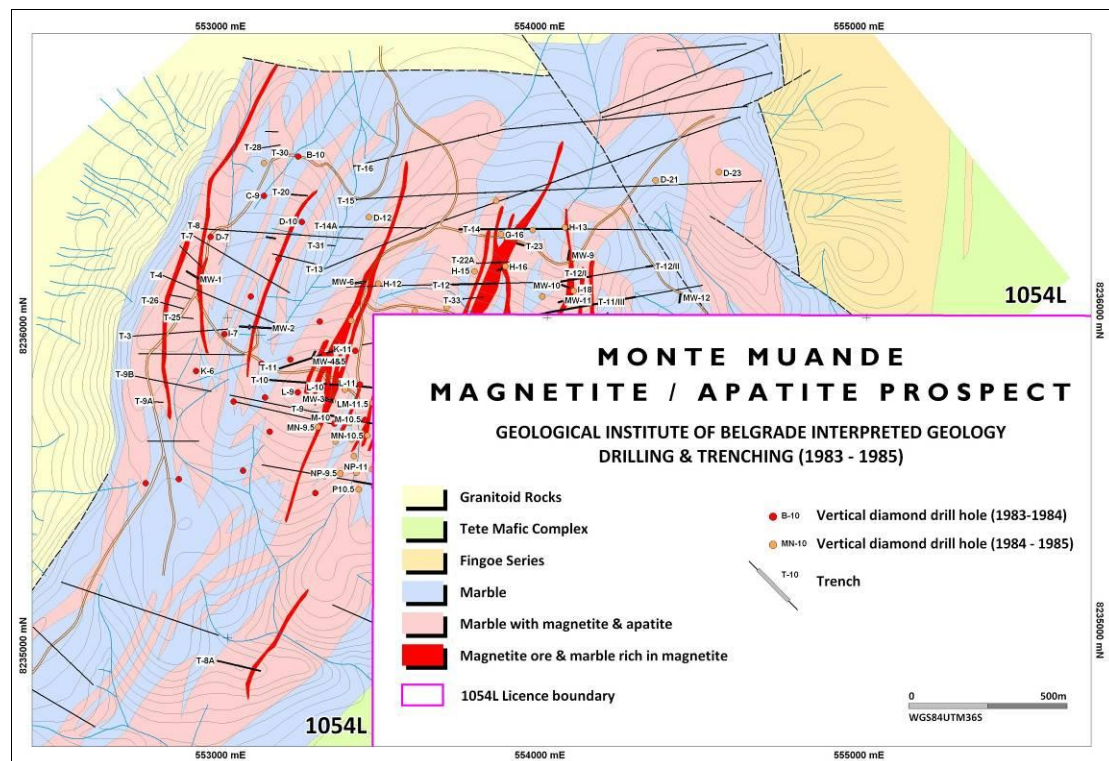


Figure 4: GIB work area

**Rio Mufa Coal Prospect**



The Rio Mufa prospect includes 12 square kilometres of Lower Karoo lithologies underlying the southwestern corner of 1119L. The equivalent Lower Karoo hosts the c.15Bt of thermal and coking coal resources in the neighbouring Moatize basin. The prospect is located approximately 30km west of Tete and is flanked to the south and west by tenure held by mining major Rio Tinto.

Baobab commissioned specialist coal consultants, Gondwana Limitada ('Gondwana'), to complete a detailed field review of the Rio Mufa area during July 2011. Investigations confirmed that the prospect is underlain by the basal units of the Lower Karoo sequence, considered to be the most fertile portion of the Maotize basin. A very weathered coal seam of undetermined thickness was mapped in an exposure along the Mufa River, further substantiating the area's prospectivity.

Gondwana designed a scout programme of 13 open-hole drill holes using a polycrystalline diamond (PCD) drill bit. PCD drilling is a rapid and cost competitive tool that is commonly employed during preliminary coal exploration campaigns prior to more detailed diamond core drilling.

Drilling commenced on 15 September 2011. A geophysical contractor is on standby to complete in-hole gamma and density surveys immediately after each drill hole is completed. The geophysical data, combined with the geological logging, is expected to provide a good indication as to the width and quality of intersected coal seams.

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

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

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

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

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



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

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

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

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

Potential for significant tonnages of ore exists in three areas:

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

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

With increasing global demand in the base metals sector (in particular copper and nickel) and developing supply deficits, Baobab recognises the strategic opportunity Mundonguara represents and the urgent requirement to rapidly progress the asset.

Baobab commenced diamond drilling during July 2011. The programme concluded during September with 10 drill holes completed for an aggregate total of 1,800m. The drilling targeted the nickel in soil anomalies and associated IP chargeability responses. Analytical results are expected during December 2011.

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

The Changara project comprises four exploration licences covering an area of 525km<sup>2</sup> located approximately 100km southwest of the Provincial capital of Tete and flanking Zimbabwe's north-eastern border. The national power grid passes within 15km of the project's eastern boundary.

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

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

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

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

The licences are underlain by lower Proterozoic rocks of the Rushinga Group which flank the north-eastern margin of the Zimbabwe Craton. Although the area has experienced limited historical exploration, it is considered highly prospective for SedEx / Broken Hill Type polymetallic base and precious metal and manganese mineralisation and hosts numerous occurrences of zinc, lead, manganese, iron ore, fluorite, copper and silver.

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

Work completed during the reporting period extended the geochemical survey to cover areas to the northwest. The work programme is nearing completion with technical teams demobilising from the field this month.

### **Greenfield Projects**

A comprehensive stream sediment programme was completed over the *Sussundenga/Bandire* Project area (lode gold targets) during 2009. Subsequent data reviews and follow up field investigations downgraded the potential of the project and consequently all licences were relinquished during the reporting period.

Geological mapping and stream sediment sampling programmes have been completed over the *Sanangoe* 1019L licence (base and precious metal targets) and are in progress at the *Senga Senga* licenses (Telfer Type gold/copper model).

## **Outlook**

Baobab has accelerated exploration activities across all assets in its portfolio during 2011. Work programmes have been largely completed on time and on budget with results exceeding management's expectations.

The Company is rapidly approaching a watershed in the development of the Tete project with an aggressive drilling campaign of 38,000m completed and the 300Mt resource base milestone likely to be met and surpassed during November this year. A Scoping Study, also due in November, will form the foundation upon which the Pre-Feasibility Study will continue to build during 2012.

Work is progressing well at the Monte Muande magnetite/phosphate deposit where Coffey Mining has estimated a 200Mt to 250Mt Exploration Target to an average depth of just 40m. Baobab is earning an initial 60% interest in the joint venture through the completion of a 2,000m drilling programme assessing the Exploration Target, the results from which will become available during November 2011.

Preliminary coal exploration programmes are on-going in the Rio Mufa area of the Muande joint venture and to the south of the Tenge/Ruoni area of the Tete project. These areas represent a very real and exciting opportunity for Baobab to establish a firm footing in the flourishing Mozambique coal sector. The Company believes that the development of coal assets will add substantially to its evolving iron and steel aspirations.

Approximately 1,800m of diamond drilling has been completed targeting nickel anomalies at Mundonguara with initial results expected to become available during December 2011. Systematic exploration programmes have either been completed or are underway at the company's greenfields Changara, Sanangoe and Senga Senga projects.

Baobab expanded its equity draw down facility to £17m of which £15m remains unused. IFC continues to support its 15% contributing interest in the Tete project.

Investors may look forward to a regular flow of substantial news over the coming months as the Company consolidates its position as a successful Mozambique focused explorer unlocking the country's mineral wealth.



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

11 November 2011

### ***Competent Persons Statement***

*The information in this release that relates to Exploration Results is based on information compiled by Managing Director Ben James (BSc). Mr James is a Member of the Australasian Institute of Mining and Metallurgy, is a Competent Person as defined in the Australasian Code for Reporting of exploration results and Mineral Resources and Ore Reserves, and consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.*



## **DIRECTORS' REPORT**

The Directors present their report and financial statements for the year ended 30 June 2011.

### **Principal activity**

During the financial year the principal activity of the Group 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 14 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 Group has further developed the areas of interest under these licences.

### **Results and dividends**

The loss for the year ended 30 June 2011 after income tax was £6,059,886 (2010 - £1,961,146).

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 Group uses various financial instruments these include cash, and various items, such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to financial risks, which are described in more detail below. To date the Group has not had significant financial risks for the Directors to use hedging or other financial risk minimising transactions.

The main risks arising from the Group'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 Group are currency risk and interest rate risk. In the Group's operations to date, currency risk is the more significant risk to which the Group has been exposed.

### **Currency risk**

The Group 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 Group does not adopt an accounting policy of hedge accounting for these financial statements.

### **Credit risk**

The Group'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 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.

### **Exchange controls/distributions controls**

The mining projects in Mozambique are still at an exploration stage and no funds were remitted from Mozambique during the year.



## **Key performance indicators (KPI's)**

### **Retention of existing exploration licences**

The Group has retained its existing tenement holdings and held 14 exploration 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 Group 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 Group 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 AIM market or entering into a joint venture arrangement with a partner for one of its projects. The funding risk faced by the Group is that it may not be able to raise the required funds at the time that the funds are required. Under these circumstances the Group would amend its exploration programme to remain within its existing financial resources.

### **Political risk**

The Group's exploration licences are in Mozambique. The Group 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 Group 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 Group has undertaken to train employees in the skills required and has engaged suitably skilled specialists as required.

## **Exploration risk**

The Group currently holds 14 licences exploring for a variety of commodities in Mozambique. The Group has a large land-holding covering six discrete project areas. The Group 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 Group'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 43 days (2010: 52 days) average supplies for the year.

## **Indemnities and insurance**

Article 40 of Baobab Resources Plc Articles of Association allows the Group to, subject always to the provisions of the Statutes, and without prejudice to any protection from liability which may otherwise apply, allow the Group, 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 Group out of the assets of the Group against all costs, charges, losses, expenses and liabilities which he may sustain or incur in relation to the Group 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**

In July 2011 the Company issued a total of 500,000 unlisted share options with an exercise price of 40p per share, escrowed for the first 12 months and expiring on 30 April 2013.

## **Corporate**

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



## **Directors**

The Directors during the year were as follows:

Jeremy Dowler  
Alexander Jon Crowe  
Jonathan Beardsworth  
Ben James

## **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.

### *Ben James BSc. – Managing 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 Groups'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 16 years he has participated in and led a variety of M&A and strategic advisory assignments in the mining industry worldwide.

### *Jon Crowe – Non-executive Director*

Alexander Irwin (Jon) Crowe, has been the Group'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.

## **Directors' responsibilities statement**

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions, to disclose with reasonable accuracy at any time the financial position of the company and the group and to 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.

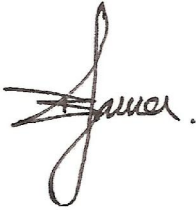
## **Statement on information given to auditor**

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 auditor is 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 auditor is aware of that information.



**Auditor**

A resolution to re-appoint PKF (UK) LLP as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

A handwritten signature in black ink, appearing to read "Ben James", with a stylized flourish at the end.

**Ben James**  
**Director**  
11 November 2011



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BAOBAB RESOURCES PLC**

We have audited the financial statements of Baobab Resources plc for the year ended 30 June 2011 which comprise the consolidated and company statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in 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 Chapter 3 of Part 16 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

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 and express an opinion on 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 of the financial statements**

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications from our report.



### **Opinion on financial statements**

In our opinions 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 2011 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.

A handwritten signature in blue ink that reads "PKF(UK)LLP".

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

London, UK  
11 November 2011



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	2011 £	2010 £
<b>Continuing Operations</b>			
Exploration expenses		(3,315,620)	(1,367,043)
Administrative expenses		<u>(2,821,440)</u>	<u>(673,273)</u>
<b>Loss from operations before tax</b>		(6,137,060)	(2,040,316)
Interest received		<u>77,174</u>	<u>79,170</u>
<b>Loss before tax</b>		(6,059,886)	(1,961,146)
Income tax expense	6	-	-
<b>Loss for the period attributable to equity holders of the parent</b>	4	<u>(6,059,886)</u>	<u>(1,961,146)</u>
<b>Other comprehensive income</b>			
Foreign currency translation differences		425,861	156,529
<b>Total comprehensive loss for the period attributable to equity holders of the parent</b>		<u><u>(5,634,025)</u></u>	<u><u>(1,804,617)</u></u>
Loss per share (basic and diluted)	7	<u><u>(3.61)</u></u>	<u><u>(1.38)</u></u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**  
**Company Number 5590467**

	Note	2011 £	2010 £
<b>Non-Current Assets</b>			
Property, Plant and equipment	8	181,053	27,765
Loan to related undertaking	10	67,375	-
<b>Total Non-Current Assets</b>		<u>248,428</u>	<u>27,765</u>
<b>Current Assets</b>			
Trade and other receivables	9	4,013	2,695
Cash and cash equivalents	11	5,707,844	2,314,967
<b>Total Current Assets</b>		<u>5,711,857</u>	<u>2,317,662</u>
<b>Total Assets</b>		<u>5,960,285</u>	<u>2,345,427</u>
<b>Equity attributable to the equity holders of the parent</b>			
Share capital	13	1,876,378	1,589,318
Share premium		13,191,201	6,693,242
Reserves – warrants and options	14	2,446,166	773,782
Reserves - foreign currency translation		483,885	58,024
Accumulated loss		(13,127,450)	(7,381,303)
<b>Total Equity</b>		<u>4,870,180</u>	<u>1,733,063</u>
<b>Current Liabilities</b>			
Trade and other payables	12	1,090,105	612,364
<b>Total Liabilities</b>		<u>1,090,105</u>	<u>612,364</u>
<b>Total Equity and Liabilities</b>		<u>5,960,285</u>	<u>2,345,427</u>

The financial statements were approved by the board of Directors and authorised for issue on 11 November 2011. They were signed on its behalf by:



**Ben James**  
**Director**  
11 November 2011

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	30 June 2011 £	30 June 2010 £
<b>Cash flows from operating activities</b>			
Net Loss for the year		(6,059,886)	(1,961,146)
Movement in Trade and Other Receivables		(69,501)	(947)
Movement in Trade and Other Payables		435,367	194,869
Depreciation		21,244	39,573
Exchange difference		308,618	90,101
Share based payments		1,967,700	178,877
<b>Net cash used in operating activities</b>		<b>(3,396,458)</b>	<b>(1,458,673)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(174,569)	(6,277)
<b>Net cash flows used in investing activities</b>		<b>(174,569)</b>	<b>(6,277)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares		7,216,172	3,285,020
Share Issue Costs		(412,730)	(137,480)
<b>Net cash flows from financing activities</b>		<b>6,803,442</b>	<b>3,147,540</b>
<b>Net increase in cash and cash equivalents</b>		3,232,415	1,682,590
<b>Cash and cash equivalents at beginning of the period</b>		2,314,967	528,760
Exchange differences		160,462	103,617
<b>Cash and cash equivalents at end of the period</b>	11	<b>5,707,844</b>	<b>2,314,967</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Warrants and Option Reserve £	Foreign Currency Translation Reserve £	Retained Earnings £	Total Equity £
<b>Balance at 1 July 2009</b>	960,785	4,247,623	521,518	(98,505)	(5,420,157)	211,264
<b>Loss for the year</b>					(1,961,146)	(1,961,146)
<b>Foreign exchange translation differences</b>				156,529		156,529
<b>Total other comprehensive loss</b>				156,529		156,529
<b>Total comprehensive loss for the year</b>				156,529	(1,961,146)	(1,804,617)
<b>Shares issued</b>	628,533	2,656,487				3,285,020
<b>Share issue expenses</b>		(210,868)				(210,868)
<b>Share based payments</b>			252,264			252,264
<b>30 June 2010</b>	1,589,318	6,693,242	773,782	58,024	(7,381,303)	1,733,063
<b>Balance at 1 July 2010</b>	1,589,318	6,693,242	773,782	58,024	(7,381,303)	1,733,063
<b>Loss for the year</b>					(6,059,886)	(6,059,886)
<b>Foreign exchange translation differences</b>				425,861		425,861
<b>Total other comprehensive income</b>				425,861		425,861
<b>Total comprehensive loss for the year</b>				425,861	(6,059,886)	(5,634,025)
<b>Shares issued</b>	287,060	6,929,112				7,216,172
<b>Share issue expenses</b>		(431,153)				(431,153)
<b>Share based payments</b>			1,986,123			1,986,123
<b>Share options and warrants exercised/forfeited</b>			(313,739)		313,739	-
<b>30 June 2011</b>	1,876,378	13,191,201	2,446,166	483,885	(13,127,450)	4,870,180



## **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 issued by the International Accounting Standards Board ("IASB") 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 nature of the group's business is such that there can be considerable unpredictable variation in the timing of cash flows.

During the year the Company raised a total of £7,216,172 by way of placements and issues of shares from exercise of warrants and options to fund its planned programme of exploration activities.

The Company plans to continue with the exploration and the development of mineral properties in Mozambique and additional funding will be required in the next twelve months for the exploration projects to be progressed towards the development phase. Given the encouraging results from its current exploration programme, the directors believe that the Company will be successful in raising the funds required to progress the projects as planned. However, in the event the Company is unable to raise this additional funding, based on the Directors projections, current cash resources and the ability to defer the planned



exploration programme, the directors consider that the group has adequate financial resources for going concern purposes over the forthcoming twelve months. Additionally, it can draw on funds from its equity funding agreement arranged by First Columbus LLP to provide additional working capital should it be required. The Directors therefore consider it appropriate to prepare the financial statements on the going concern basis.

### **New and revised Standards**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods commencing 1 July 2010 but are not applicable to the group and had no impact on these financial statements.

The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

### **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.

Goodwill arising on consolidation represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and reviewed annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the Statement of Comprehensive Income.

The results of subsidiaries acquired or disposed of during the year are included in the Statement of Comprehensive Income 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. All transactions and balances between the companies in the group are eliminated on consolidation. 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 accounting policies under the captions "Going Concern" and "Exploration and Development expenditure".



### **Key sources of estimation uncertainty**

In the process of applying the Group's accounting policies, management make judgements and estimates. The key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial year are as follows:

#### ***Depreciation and amortisation***

Depreciation and amortisation is provided so as to write down the assets to the residual values over their estimated useful lives. The selection of these residual values and estimated lives requires the exercise of management judgement.

#### ***Share based payments***

The amounts recognised in respect of share based payments has been estimated based on the fair value of the options. To estimate this fair value an option pricing model has been used. There are many variables and assumptions used as inputs into the model (which have been detailed in Note 14). If any of these assumptions or estimates were to change this could have a significant effect on the amount recognised.

### **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 statement of comprehensive income upon utilisation of the service or at the date of their origin in the statement of comprehensive income as incurred.

### **Foreign currency translation**

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transaction. At the year end, 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 at the year end. 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 recorded in other comprehensive income 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 recorded in other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

## **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income 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 year end. 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 profit or loss.



### **Exploration and evaluation expenditure**

Exploration and evaluation 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. The group accounts for the related exploration costs in line with the terms of the specific agreement.

### **Financial instruments**

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

### **Loans receivable**

Loans receivable are not interest bearing and are stated at their nominal amount less provision for impairment.

### **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 statement of comprehensive loss.

## **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.

## **Equity settled 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 value 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 statement of comprehensive income 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. Operating segments

The Group determines and separately reports operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The group's operations relate to the exploration for, and development of mineral deposits in Mozambique with support provided from Australia & UK and as such the Group has only one segment.

#### Other geographical information

	<b>2011</b>			
	UK £	Australia £	Mozambique £	Consolidated £
Segment revenue	-	-	-	-
Segment non current assets	-	17,480	163,573	181,053

	<b>2010</b>			
	UK £	Australia £	Mozambique £	Consolidated £
Segment revenue	-	-	-	-
Segment non current assets	-	9,283	18,482	27,765

### 4. Loss from continuing operations before tax

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
This is stated after charging:		
Depreciation of property, plant and equipment	21,244	39,573
Foreign exchange differences	23,848	(3,951)
Share based payments	1,967,700	178,877
Audit of the Company and consolidated accounts	29,937	27,500

## 5. Personnel expenses

Staff costs during the year were as follows:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Wages and salaries	559,037	389,167
Share based payments	<u>1,967,700</u>	<u>178,877</u>
	<u><u>2,526,737</u></u>	<u><u>568,044</u></u>

The average number of employees of the group excluding the non-executive Directors at year end was 55 (2010: 23). 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:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Emoluments	265,552	233,266
Compensation for loss of office	<u>-</u>	<u>42,626</u>
	<u><u>265,552</u></u>	<u><u>275,892</u></u>

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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Emoluments	<u>158,152</u>	<u>111,812</u>
	<u><u>158,152</u></u>	<u><u>111,812</u></u>

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Directors' fees, wages and salaries</b>		
Ben James	158,152	111,812
Brett Townsend	-	82,080
Jonathan Beardsworth	24,000	22,333
Jeremy Dowler	59,400	41,500
Jon Crowe	24,000	18,167
	<u><u>265,552</u></u>	<u><u>275,892</u></u>



During the current financial year the Company granted Options to Directors and Officers to subscribe for a total of 10,500,000 Ordinary Shares at a price of 40p per share.

During the previous financial year the Company granted Options to Directors and Officers, to subscribe for a total of 4,000,000 Ordinary Shares at a price of 10p per share.

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.

	<b>2011</b>	<b>2010</b>
<b>Directors' share based payments</b>	<b>£</b>	<b>£</b>
Ben James	563,400	57,103
Jonathan Beardsworth	112,680	32,240
Jeremy Dowler	281,700	48,360
Jon Crowe	112,680	32,240
	<u>1,070,460</u>	<u>169,943</u>

A total of 500,000 unlisted options granted to the highest paid Director were exercised on 25<sup>th</sup> March 2011 for £61,250. The closing market price of an ordinary share on that day was 40p and this resulted in a gain of £138,750.

## **6. 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:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating loss	(6,059,886)	(1,961,146)
Income tax on operating loss at 30%	(1,817,966)	(588,344)
Non-deductible income tax expenses	1,510,654	434,884
Income tax benefit not brought to account	<u>307,311</u>	<u>153,460</u>
Income tax expense	<u>          -</u>	<u>          -</u>



Exploration expenditure incurred by Baobab Mining Services Pty Ltd (Australia) is recognized as non-deductible expenses. The exploration expenditure for 2011 is £2,923,370 (2010: £1,075,718).

The Group has estimated accumulated tax losses of £5,455,619 (2010: £4,431,249). The losses represent an unrecognised deferred tax asset of £1,686,686 (2010: £1,329,375).

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.

## 7. Loss per share

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
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	(6,059,886)	(1,961,141)
Total number of ordinary shares in issue at the year end	187,637,900	158,931,836
Weighted average number of ordinary shares		
Basic	168,032,908	142,082,703
Diluted	168,032,908	142,082,703
Loss per share-basic	<u>(3.61 p)</u>	<u>(1.38 p)</u>
Loss per share-diluted	<u>(3.61 p)</u>	<u>(1.38 p)</u>

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



## 8. Property, plant & equipment

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
	<b>Plant &amp; Equipment</b>	<b>Plant &amp; Equipment</b>
Opening balance at 1 July	200,387	181,426
Additions	174,568	6,277
Exchange differences	<u>9,710</u>	<u>12,684</u>
Closing balance at 30 June	<u><u>384,665</u></u>	<u><u>200,387</u></u>
<b>Accumulated depreciation</b>		
Opening balance at 1 July	172,622	123,155
Charge for the year	21,244	39,573
Exchange differences	<u>9,746</u>	<u>9,894</u>
Closing balance at 30 June	<u><u>203,612</u></u>	<u><u>172,622</u></u>
Carrying amounts		
Balance at 30 June	<u><u>181,053</u></u>	<u><u>27,765</u></u>

## 9. Trade and other receivables

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Prepayments	<u>4,013</u>	<u>2,695</u>

## 10. Loan to related undertaking

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Amount receivable from Baobab Resources Plc Employee and Contractor Option Share Trust	<u>67,375</u>	<u>-</u>

The loan is interest free and not repayable in the foreseeable future.



## 11. Cash and cash equivalents

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Cash at bank and in hand	<u>5,707,844</u>	<u>2,314,967</u>

## 12. Trade and other payables

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade creditors	455,707	275,171
Accrued expenses	174,514	96,061
Payroll taxes payable	8,425	7,948
Payroll liabilities	-	4,692
Superannuation payable	17,481	555
Annual leave entitlement	75,596	37,465
IFC expenditure commitment	358,382	190,472
	<u><b>1,090,105</b></u>	<u><b>612,364</b></u>

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

## 13. Share capital

	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>Number</b>	<b>£</b> <b>Nominal Value</b>	<b>Number</b>	<b>£</b> <b>Nominal value</b>
(a) Authorised Share capital				
Ordinary shares of 1p each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Redeemable shares of £1 each	50,000	50,000	50,000	50,000
	<u>1,000,050,000</u>	<u>10,050,000</u>	<u>1,000,050,000</u>	<u>10,050,000</u>
	<b>2011</b>	<b>2011</b>	<b>2010</b>	<b>2010</b>
	<b>£</b>	<b>No of Shares</b>	<b>£</b>	<b>No of Shares</b>
(b) Alloted, called up and fully paid				
<b>Ordinary shares of 1p each</b>				
Beginning of period	8,282,560	158,931,836	5,208,408	96,078,502
Issued during the period				
Share Capital	287,060	28,706,064	628,533	62,853,334
Share premium	6,929,112		2,656,487	
Share issue cost	(431,153)		(210,868)	
	<u>15,067,579</u>	<u>187,637,900</u>	<u>8,282,560</u>	<u>158,931,836</u>

Details of shares issued during the year are as follows:

	<b>Date</b>	<b>Number</b>	<b>£</b>
At a price of 11.25p each	25/10/2010	666,667	75,000
At a price of 11.09p each	6/12/2010	3,787,196	420,000
At a price of 11.50p each	12/01/2011	151,860	17,464
At a price of 6.00p each	28/01/2011	2,086,167	125,170
At a price of 6.15p each	24/02/2011	1,000,000	61,500
At a price of 18.80p each	4/03/2011	2,275,000	427,700
At a price of 22.46p each	11/03/2011	4,946,572	1,111,000
At a price of 11.0p each	11/03/2011	375,000	41,250
At a price of 10.0p each	11/03/2011	750,000	75,000
At a price of 13.0p each	25/03/2011	275,000	35,750
At a price of 11.5p each	25/03/2011	275,000	31,625
At a price of 16.8p each	30/03/2011	288,888	48,764
At a price of 47.1p each	5/04/2011	203,714	95,949
At a price of 40.0p each	19/04/2011	11,625,000	4,650,000
<b>Total</b>		<b>28,706,064</b>	<b>7,216,172</b>

(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 had been rounded upward.

*Redeemable Shares*

Rights attaching to the Redeemable shares are as follows:

- (a) In respect of any profits which the Company determines to distribute in respect of any financial year the Redeemable Shares shall rank pari passu in all respects with the ordinary shares as to dividends;
- (b) In a return of capital on liquidation or capital reduction or otherwise, the surplus assets of the Company remaining after the payment of liabilities shall be distributed amongst the holders of the Redeemable Shares and Ordinary Shares (pari passu as if they constituted one class of share) in proportion to the number of Redeemable Shares and Ordinary Shares held by them respectively;
- (c) The Redeemable Shares shall not entitle the holders thereof to receive notice of and to attend and vote (whether on a show of hands or on a poll) at any general meeting of the Company save that the consent or sanction of the holders of the Redeemable Shares shall be required for the modification or variation of the rights attached to the Redeemable Shares;
- (d) Subject to the provisions of the Act, a Redeemable Share shall be redeemed 100 years from its date of issue or at any time prior thereto at the option of the Company. The holder of a Redeemable Share which is subject to redemption shall surrender to the Company on or before the date for redemption the certificate for such Redeemable Share in order that it may be cancelled and upon cancellation the Company shall pay to the holder the nominal value of such Redeemable Share; and
- (e) A Redeemable Share redeemed shall be cancelled and the Company shall not be entitled to re-issue the same.

(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 financial 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.

Given the nature of the Company's current activities, the entity will remain dependent on equity funding in the short to medium term until such time when its assets achieve successful transition from exploration to development stage.

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.

## 14. Reserves – Warrants and options

During the financial year the Company issued a total of 10,500,000 unlisted Options to directors and employees with the following terms:

- 9,500,000 unlisted options with an exercise price of 40.0p and expiring on 31 January 2013
- 1,000,000 unlisted options with an exercise price of 55.0p and expiring on 30 April 2013

A total of 444,444 warrants exercisable at 16.88p expiring on 21 October 2013 were issued to First Columbus LLP. These warrants were issued as a commitment fee for securing the Equity Line Facility and have been included under share issue expenses..

A total of 4,761,167 unlisted options issued in previous years were exercised during the financial year:

- 275,000 unlisted options with an exercise price of 11.5p expiring 25 March 2011
- 275,000 unlisted options with an exercise price of 13.0p expiring 25 March 2011
- 750,000 unlisted options with an exercise price of 10.0p expiring 1 February 2012
- 375,000 unlisted options with an exercise price of 11.0p expiring 1 February 2012
- 1,000,000 unlisted options with an exercise price of 6.15p expiring 16 April 2012
- 2,047,667 unlisted options with an exercise price of 6.00p expiring 27 October 2012
- 38,500 unlisted options with an exercise price of 6.00p expiring 9 November 2012

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.

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

	<b>2011 Number</b>	<b>WAEP Pence</b>
Outstanding at the beginning of the year	18,419,500	7.70
Granted during the year	10,500,000	41.43
Exercised during the year	(4,761,167)	7.78
Forfeited during the year	=	=
Outstanding at the end of the year	<u>24,158,333</u>	<u>22.35</u>
Exercisable at the year end	<u>24,158,333</u>	<u>22.35</u>



	<b>2010 Number</b>	<b>WAEP Pence</b>
Outstanding at the beginning of the year	13,018,333	7.39
Granted during the year	6,286,167	8.67
Exercised during the year	-	-
Forfeited during the year	<u>(885,000)</u>	<u>10.00</u>
Outstanding at the end of the year	<u>18,419,500</u>	<u>7.70</u>
Exercisable at the year end	<u>18,419,500</u>	<u>7.70</u>

The share options outstanding at the end of the year have a weighted average remaining contractual life of years 1.51 years (2010 - 2.57 years) and have the following exercise prices:

<b>Expiry date</b>	<b>Exercise price Pence</b>	<b>2011 Number</b>
1 February 2012	10.0	760,000
1 February 2012	11.0	365,000
16 April 2012	6.15	8,333,333
30 June 2013	10.0	4,200,000
31 January 2013	40.0	9,500,000
30 April 2013	55.0	<u>1,000,000</u>
		<u>24,158,333</u>

<b>Expiry date</b>	<b>Exercise price Pence</b>	<b>2010 Number</b>
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	9,333,333
27 October 2012	6.0	2,047,667
9 November 2012	6.0	38,500
30 June 2013	10.0	<u>4,200,000</u>
		<u>18,419,500</u>

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

<b>2011</b>					
<b>Number Granted</b>	<b>Weighted Ave Share Price</b>	<b>Weighted Ave Option Value</b>	<b>Expected Volatility</b>	<b>Weighted Risk Free Rate</b>	<b>Value of Options</b>
9,500,000	37.16p	40p	100%	1.50%	18.78p
1,000,000	40.25p	55p	100%	1.50%	18.36p

<b>2010</b>					
<b>Number Granted</b>	<b>Weighted Ave Share Price</b>	<b>Weighted Ave Option Value</b>	<b>Expected Volatility</b>	<b>Weighted Risk Free Rate</b>	<b>Value of Options</b>
4,200,000	9.00p	10p	70%	1.50%	4.03p

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 £1,967,700 (2010 - £178,887) related to equity-settled share-based payment transactions during the year.

#### **Warrants**

	<b>2011 Number</b>	<b>WAEP Pence</b>
Outstanding at the beginning of the year	1,100,095	12.17
Granted during the year	444,444	16.88
Exercised during the year	(440,748)	42.58
Forfeited during the year	(948,235)	74.81
Outstanding at the end of the year	<u>155,556</u>	<u>16.88</u>
Exercisable at the year end	<u>155,556</u>	<u>16.88</u>
	<b>2010 Number</b>	<b>WAEP Pence</b>
Outstanding at the beginning of the year	2,520,095	6.90
Granted during the year	-	-
Exercised during the year	(1,420,000)	2.75
Forfeited during the year	-	-
Outstanding at the end of the year	<u>1,100,095</u>	<u>12.17</u>
Exercisable at the year end	<u>1,100,095</u>	<u>12.17</u>



The Company issued 444,444 warrants in the 2011 financial year to First Columbus LLP, exercisable at 16.88p, expiring 21 October 2013. A total of 440,748 warrants were exercised during the year raising £66,228.

The balance of warrants on issue at 30 June 2011 include 155,556 warrants exercisable at 16.88p, expiring 21 October 2013.

### **15. Contingent liabilities**

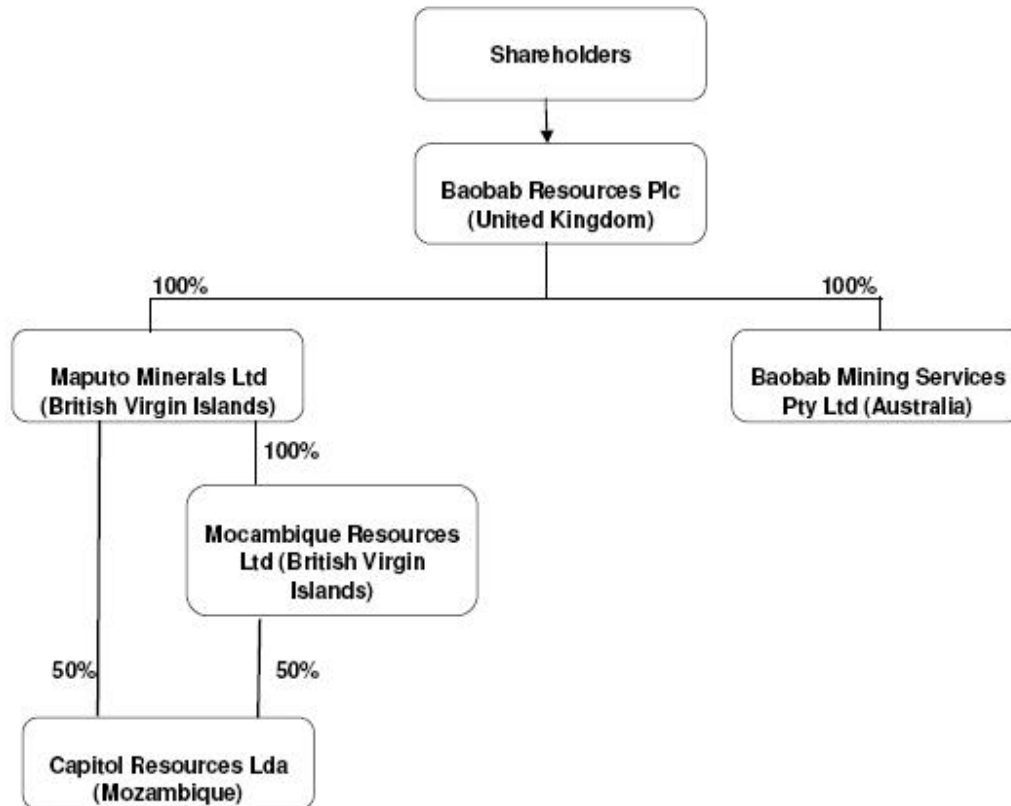
There are no contingent liabilities

### **16. Events after the balance sheet date**

The Company issued a total of 500,000 unlisted options with an exercise price of 40p per share, escrowed for the first 12 months and expiring on 30 April 2013.

## 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 IFC (“International Finance Corporation”) in relation to the Joint Venture agreement with the Company contributed on a pro-rata basis £805,947 (2010 £467,774) being its share of the annual exploration budget for the Tete project. For the 2011 financial year, £638,037 of IFC’s contribution has been spent on exploration expenditure up to 30 June 2011.

Consultancy fees and expense reimbursements of £17,849 (2010 - £18,167) were paid to Millridge Holdings Pty Ltd a Company associated with a Director, Jon Crowe. Accounting and company secretarial fees of £75,284 (2010: £60,780) 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 Group's operations.

The existence of these financial instruments exposes the Group 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.

### **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. 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:

<b>Interest Rate Risk</b>	<b>2011</b>	<b>2010</b>
Judgments reasonable possible	£	£
<i>Interest Income - Higher/(Lower)</i>		
(+ 1%)	57,078	23,150
( - 1%)	<u>(57,078)</u>	<u>(23,150)</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**

	<b>Effective Interest Rate 2011</b>	<b>Floating Interest Rate 2011</b>	<b>Non-Interest Bearing 2011</b>	<b>Total 2011</b>
		£	£	£
<b>Financial Assets</b>				
Loans receivable	Nil	-	67,375	67,375
Cash and cash equivalents	5.86%	<u>5,707,844</u>	-	<u>5,707,844</u>
<b>Total Financial Assets</b>		<u>5,707,844</u>	<u>67,375</u>	<u>5,775,219</u>
<b>Liabilities</b>				
Trade and other payables	Nil	-	731,723	731,723
<b>Total Financial Liabilities</b>		<u>-</u>	<u>731,723</u>	<u>731,723</u>

	<b>Weighted Average Effective Interest Rate 2010</b>	<b>Floating Interest Rate 2010</b>	<b>Non-Interest Bearing 2010</b>	<b>Total 2010</b>
		£	£	£
<b>Financial Assets</b>				
Cash and cash equivalents	5%	<u>2,314,967</u>	-	<u>2,314,967</u>
<b>Total Financial Assets</b>		<u>2,314,967</u>	<u>-</u>	<u>2,314,967</u>
<b>Liabilities</b>				
Trade and other payables	Nil	-	421,891	421,891
<b>Total Financial Liabilities</b>		<u>-</u>	<u>421,891</u>	<u>421,891</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.

## ii. Currency risk

The following sensitivity analysis is based on the currency risk exposure in existence at the balance sheet date. If currency had moved, as illustrated in the table below, with all other variables held constant, the effect on net assets and loss for the year of the Group would be as follows:

<b>Currency Risk</b>	<b>2011</b>	<b>2010</b>
Judgments reasonable possible	£	£
<i>Currency Conversion - Higher/(Lower) AUD to GBP Net Assets</i>		
(+ 10%)	(686,610)	(317,991)
(- 10%)	620,552	290,578

<b>Currency Risk</b>	<b>2011</b>	<b>2010</b>
Judgments reasonable possible	£	£
<i>Currency Conversion - Higher/(Lower) USD to GBP Net Assets</i>		
(+ 10%)	(80,230)	-
(- 10%)	72,936	-

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.

<b>Currency Risk</b>	<b>2011</b>	<b>2010</b>
Judgments reasonable possible	£	£
<i>Currency Conversion - Higher/(Lower) USD to GBP Net Loss</i>		
(+ 10%)	(22,563)	-
(- 10%)	20,512	-

<b>Currency Risk</b>	<b>2011</b>	<b>2010</b>
Judgments reasonable possible	£	£
<i>Currency Conversion - Higher/(Lower) AUD to GBP Net Loss</i>		
(+ 10%)	(212,150)	(80,806)
(- 10%)	192,894	73,460

The Group is exposed to currency risk as its reporting currency is in British Pounds and a proportion of its expenditure is 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. The loan receivable is also exposed to credit risk but is not considered material.

### **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  
Jonathan Beardsworth  
Ben James  
Jon Crowe

### **b) Other key management personnel**

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

Ben James – Managing Director  
Graham Anderson - Chief Financial Officer

**c) Key management personnel compensation**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Short term employee benefits	<u>1,411,296</u>	<u>336,230</u>

Employer social security contributions amounted to £14,234 (2010: £15,744) for the financial year.

In addition, senior management and staff received share based payments amounting to £897,240 (2010 - £169,260).

**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.

	<b>Balance at start of year</b>	<b>2011 Changes during the year</b>	<b>Balance at end of year</b>
<b>Directors</b>			
Jeremy Dowler	7,890,169	200,000	8,090,169
Ben James	114,500	500,000	614,500
Jon Crowe	8,690,000	-	8,690,000
Jonathan Beardsworth	-	-	-

**Other key Management Personnel**

	<b>Balance at start of year</b>	<b>2011 Changes during the year</b>	<b>Balance at end of year</b>
Graham Anderson	-	-	-

**e) Loans to key management personnel**

There were no loans to key management personnel.



**COMPANY STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Company	Company
		2011	2010
		£	£
Other operating income		-	-
Administrative expenses		<u>(8,744,839)</u>	<u>(3,308,860)</u>
<b>Loss from operations before tax</b>		<b>(8,744,839)</b>	<b>(3,308,860)</b>
Income tax expense	2	-	-
<b>Loss and comprehensive loss for the year attributable to equity holders of the parent</b>		<b><u>(8,744,839)</u></b>	<b><u>(3,308,860)</u></b>



**COMPANY STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2011**

	Note	Company 2011 £	Company 2010 £
<b>Non-Current Assets</b>			
Loans to related undertaking	12	67,375	-
Investment in subsidiaries	4	3	3
<b>Total Non-Current Assets</b>		<u>67,378</u>	<u>3</u>
<b>Current Assets</b>			
Cash and cash equivalents		<u>992</u>	<u>2,793</u>
<b>Total Current Assets</b>		<u>992</u>	<u>2,793</u>
<b>Total Assets</b>		<u><u>68,370</u></u>	<u><u>2,796</u></u>
<b>Equity</b>			
Share capital	6	1,876,378	1,589,318
Share premium		13,191,201	6,693,242
Reserves – warrants and options	7	2,446,166	773,782
Accumulated loss		<u>(17,505,537)</u>	<u>(9,074,437)</u>
<b>Total Equity</b>		<u><u>8,208</u></u>	<u><u>(18,095)</u></u>
<b>Current Liabilities</b>			
Trade and other payables	5	<u>60,162</u>	<u>20,891</u>
<b>Total Equity and Liabilities</b>		<u><u>68,370</u></u>	<u><u>2,796</u></u>

The financial statements were approved by the board of Directors and authorised for issue on 11 November 2011. They were signed on its behalf by:

**Ben James**  
**Director**

11 November 2011



**COMPANY CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2011**

	Note	Year ended 30 June 2011 £	Year ended 30 June 2010 £
<b>Net cash used from operating activities</b>	8	(374,161)	(308,881)
<b>Cash flows from financing activities</b>			
Share issue costs		(412,730)	(137,480)
Proceeds from share issues		7,216,172	3,285,020
Loans to subsidiaries and related undertakings		<u>(6,431,082)</u>	<u>(2,839,474)</u>
<b>Net cash flows from financing activities</b>		<u>372,360</u>	<u>308,066</u>
<b>Net decrease in cash and cash equivalents</b>		(1,801)	(815)
<b>Cash and cash equivalents at beginning of the period</b>		<u>2,793</u>	<u>3,608</u>
<b>Cash and cash equivalents at end of the period</b>		<u>992</u>	<u>2,793</u>



**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2011**

Share	Share Capital £	Share Premium £	Warrants and Options Reserve £	Accumulated Loss £	Total Equity £
<b>Balance at 1 July 2009</b>	960,785	4,247,621	521,518	(5,765,577)	(35,652)
<b>Net loss for the year</b>				(3,308,860)	(3,308,860)
<b>Total comprehensive loss for the period</b>				(3,308,860)	(3,308,860)
<b>Shares issued</b>	628,533	2,656,488			3,285,020
<b>Share issue expenses</b>		(210,867)			(210,867)
<b>Share based payments</b>			252,264		252,264
<b>30-Jun-10</b>	<u>1,589,318</u>	<u>6,693,242</u>	<u>773,782</u>	<u>(9,074,437)</u>	<u>(18,095)</u>

	Share Capital £	Share Premium £	Warrants and Options Reserve £	Accumulated Loss £	Total Equity £
<b>Balance at 1 July 2010</b>	1,589,318	6,693,242	773,782	(9,074,437)	(18,095)
<b>Net loss for the year</b>				(8,744,839)	(8,744,839)
<b>Total comprehensive loss for the year</b>				(8,744,839)	(8,744,839)
<b>Shares issued</b>	287,060	6,929,112			7,216,172
<b>Share issue expenses</b>		(431,153)			(431,153)
<b>Share based payments</b>			1,986,123		1,986,123
<b>Share options and warrants exercised/forfeited</b>			(313,739)	313,739	-
<b>30-Jun-11</b>	<u>1,876,378</u>	<u>13,191,201</u>	<u>2,446,166</u>	<u>(17,505,537)</u>	<u>(8,208)</u>

## **NOTES TO THE COMPANY FINANCIAL STATEMENTS**

### **1. 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 issued by the International Accounting Standards Board (“IASB”) 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.

The significant judgments made by management in applying the accounting policies during the year are included in the group accounting policies under the caption “Going Concern”.

#### **Key sources of estimation uncertainty**

In the process of applying the Company’s accounting policies, management make judgements and estimates. The key assumption concerning the future, and other sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial year is as follows:

##### ***Share based payments***

The amounts recognised in respect of share based payments has been estimated based on the fair value of the options. To estimate this fair value an option pricing model has been used. There are many variables and assumptions used as inputs into the model (which have detailed in Note 14 of the consolidated financial statements). If any of these assumptions or estimates were to change this could have a significant effect on the amount recognised.

#### **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 statement of comprehensive income upon utilisation of the service or at the date of their origin in the statement of comprehensive income as incurred.

## Equity settled 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 statement of comprehensive income 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.

## 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:

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Operating loss	(8,744,839)	(3,308,860)
Income tax on operating loss at 30%	(2,623,452)	(992,658)
Non-deductible income tax expenses	2,504,001	913,931
Income tax benefit not brought to account	<u>119,451</u>	<u>78,727</u>
Income tax expense	<u>          -</u>	<u>          -</u>

The Company has estimated accumulated tax losses of £1,836,487 (2010: £1,438,317). The losses represent an unrecognized deferred tax asset of £550,946 (2010: £431,495). Deferred tax assets (unused tax losses) have not been recognized 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.

### 3. Inter-company Loans

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Loans to subsidiaries	13,271,921	7,358,215
Provision for write down - loans to Subsidiaries	<u>(13,271,921)</u>	<u>(7,358,215)</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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Shares	<u>          3</u>	<u>          3</u>
	<u>          3</u>	<u>          3</u>

Details of the Company's subsidiaries at 30 June 2011 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%

Name of subsidiary	Principal Activities
Maputo Minerals Limited	Corporate shareholder of Capitol Resources Lta
Mocambique Resources Limited	Corporate shareholder of Capitol Resources Lta
Capitol Resources Lta	Holds mining assets and interests in Mozambique
Baobab Mining Services Pty Ltd	Administration of Group's operations and activities

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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Trade payables	<u>60,162</u>	<u>20,891</u>
	<u>60,162</u>	<u>20,891</u>



## 6. Share capital

The movements in share capital are disclosed in Note 13 to the consolidated financial statements.

## 7. Reserves – Warrants and options

Reserves – warrants and options are disclosed in Note 14 to the consolidated financial statements.

## 8. Notes to the Cash Flow Statement

	2011 £	2010 £
Net Loss for the period	(8,744,839)	(3,308,860)
Adjustments for:		
Provision for loans to subsidiaries	6,363,706	2,839,474
Share based payments	<u>1,967,700</u>	<u>178,877</u>
Operating cash flows before movements in working capital	(413,433)	(290,509)
(Decrease)/Increase in payables	<u>39,272</u>	<u>(18,372)</u>
<b>Net cash outflow from operating activities</b>	<b><u>(374,161)</u></b>	<b><u>(308,881)</u></b>

## 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 2011	Floating Interest Rate 2011 £	Non-Interest Bearing 2011 £	Total 2011 £
Financial Assets				
Loans receivable	Nil	-	67,375	67,375
Cash and cash equivalents	2.5%	<u>992</u>	-	<u>992</u>
<b>Total Financial Assets</b>		<b><u>992</u></b>	<b><u>67,375</u></b>	<b><u>68,367</u></b>
Liabilities				
Trade and other payables	Nil	-	60,162	60,162
<b>Total Financial Liabilities</b>		<b><u>-</u></b>	<b><u>60,162</u></b>	<b><u>60,162</u></b>

	<b>Weighted Average Effective Interest Rate 2010</b>	<b>Floating Interest Rate 2010 £</b>	<b>Non-Interest Bearing 2010 £</b>	<b>Total 2010 £</b>
Financial Assets				
Cash and cash equivalents	2.5%	<u>2,793</u>	-	<u>2,793</u>
 Total Financial Assets		 <u>2,793</u>	 -	 <u>2,793</u>
Liabilities				
Trade and other payables	Nil	<u>-</u>	<u>20,891</u>	<u>20,891</u>
Total Financial Liabilities		<u>-</u>	<u>20,891</u>	<u>20,891</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 11.

### **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 2011 financial year amounted to £6,363,706 (2010 - £2,839,474). The loans are expensed directly to the income statement.

Consultancy fees and expense reimbursements of £17,849 (2010 - £18,167) 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  
Jonathan Beardsworth  
Ben James  
Jon Crowe

### 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 Company during the financial year:

Ben James – Managing Director  
Jon Crowe – Non Executive Director  
Graham Anderson - Chief Financial Officer

### c) Key management personnel compensation

	2011 £	2010 £
Directors' remuneration	<u>107,400</u>	<u>82,000</u>

In addition, Directors and staff received share based payments amounting to £1,967,700 (2010 - £169,260).

The director, Ben James, is remunerated through Baobab Mining Services Limited and his remuneration is disclosed in Note 5 of the consolidated financial statements.

### d) Loans to key management personnel

There were no loans to key management personnel.

## 12. Loans to related undertaking

	2011 £	2010 £
Amount receivable from Baobab Resources Plc Employee and Contractor Option Share Trust	<u>67,375</u>	<u>-</u>

The loan is interest free and not repayable in the foreseeable future.

## 13. Events after the balance sheet date

The Company issued a total of 500,000 unlisted Options with an exercise price of 40p per share, escrowed for the first 12 months expiring on 30 April 2013.