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## **Baobab Resources plc**

### **Interim Results for the 6 Months Ended 31 December 2008**

Baobab Resources Plc. ("Baobab" or the "Company"), the iron ore, base and precious metals explorer with a portfolio of exploration projects in Mozambique, is pleased to announce its Interim Results for the six months ended 31 December 2008.

#### **Highlights**

- Continues to strengthen foothold as a prominent exploration company in Mozambique;
- JORC resource for Mundonguara project open at depth and along strike;
- Significant advancement of Tete titaniferous magnetite project;
- Tete project Joint Venture with International Finance Corporation completed;
- Placement completed in the period raising £500,000 and a further placement raised £451,000 in January 2009;
- In January 2009, IFC purchased a 15% participating interest in Tete project making a combined exploration contribution and consideration payment of US\$730,000.

The 31 December 2008 Interim Financial Report is available on the Company's website [www.baobabresources.com](http://www.baobabresources.com). Extracts from these financial statements are set out below.

#### **30 March 2009**

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**BAOBAB RESOURCES plc**  
**INTERIM RESULTS FOR THE 6 MONTHS ENDED**  
**31 DECEMBER 2008**

**DIRECTORS' REPORT**

Baobab Resources plc has made significant progress during the period in Mozambique, highlights being the completion of a Stage 1 Mineral Resource Estimate for the Mundonguara Project, the encouraging metallurgical test work carried out on the Tete Iron Ore Project, a placement completed in November 2008, and the signing of a joint venture agreement with International Finance Corporation (IFC).

At the corporate level, the Company raised £500,000 before expenses following the successful placing of 20,000,000 Ordinary Shares in November 2008, followed subsequent to reporting date by a placement to IFC in January 2009 of 11,000,000 Ordinary Shares to raise a further £451,000 before expenses.

In January the Company completed a Joint Venture Agreement with IFC, accordingly receiving US\$400,000 from IFC for the purchase of a 15% participating interest in the Tete Project, as well as US\$330,000 for pro-rata contribution to the 2009 exploration budget of the Tete Project.

The Board and management team remain committed to building a long term, sustainable exploration and mining business in Mozambique.

**Project Report**

**Tete Iron Ore Project**

Exploration of the Tete vanadiferous titanomagnetite deposits carried during the period has elevated the Tete Project to the status of a lead project for the Company, alongside the Mundonguara Project.

The Tete project is located immediately north of the Provincial capital of Tete and is composed of three contiguous Exploration Licences that straddle the central portion of the Tete Mafic Complex, covering an area of approximately 632km<sup>2</sup>. The Licences contain 5 known vanadiferous titanomagnetite deposits: Singore, located 30km due north of Tete; and the cluster of prospects known collectively as the Massamba Group, located 55km north-northeast of Tete. The deposits are interpreted to represent laterally continuous, layered cumulate horizons similar those of the Upper Zone of the Bushveld Complex in South Africa.

Tete is fast becoming a major investment centre with mining majors Vale and Riversdale in the process of opening up the Moatize and Benga coal fields. The railway connecting Tete to the deep water port of Beira is being refurbished, as is the port. Power is available from the Cahora Bassa hydroelectric scheme with additional schemes on the Zambezi River in advanced planning stages.



Initial rock chip sampling from Massamba Group indicated significant iron ore potential with results returning average grades of 49% Fe, 21% TiO<sub>2</sub> and 0.3% V.

During the first half of 2008 an aeromagnetic/radiometric survey was flown with an interpretation of the survey area covering the Massamba Group of prospects revealing highly encouraging results:

- Geophysical modelling of these magnetic anomalies indicates that the magnetite bodies are sub-vertical, varying in width from 50m to 450m and continuous over strike lengths of up to 3.5km, with a combined strike length in excess of 8km.
- The modelled depth to the top of the magnetic anomalies is generally shallow (0 to 50m).
- The geophysical data supports the interpretation of a large tonnage of titanomagnetite in the Massamba area.

During the reporting period three 100kg bulk samples of the vaniferous titanomagnetite were collected from outcrops at the Caangua and Chitongue Pequeno prospects of the Massamba Group and dispatched to AMMTEC laboratories in Perth, Western Australia. Mineral Engineering Technical Services (METS) was commissioned to manage test work to determine the metallurgical characteristics of the vaniferous titanomagnetite and to define methods of producing a saleable concentrate. Metallurgical test work completed is described below:

- Stage 1 beneficiation test work at a 106µm grind and 800 Gauss low intensity magnetic separation (LIMS) has produced a high mass yield concentrate assaying 56% iron and 0.7% V<sub>2</sub>O<sub>5</sub>.
- Low concentrate grades of titanium (<9%), silica (0.5%) and other deleterious elements resulted.
- Non-magnetic residue containing 22% titanium may be a marketable by-product.

The analytical results of the Stage 1 beneficiation work programme are very encouraging with the iron content upgraded from a calculated head grade of 49% to 56% at 800 Gauss, representing a 78% total recovery. Vanadium pentoxide (V<sub>2</sub>O<sub>5</sub>) was also significantly upgraded from a head grade of 0.55% to 0.72%, representing a 90% recovery. Titanium, silica and alumina (deleterious components of an iron concentrate) returned low grades at 800 Gauss. Phosphorus analysis is pending although it is not expected to be more than 0.1%.

In February 2009 the Company announced Davis Tube Recovery (DTR) test results conducted on 20 surface rock chip samples collected from previously unrecorded outcrop locations in both the Massamba and Singore areas. The test results support the interpreted regional continuity of the mineralization in the Massamba Group area over a strike length in excess of 8km. The results also extend the combined strike length of



Singore to approximately 2.5km with notably higher vanadium grades than in the Massamba area.

A drilling program is now warranted to define the titano-magnetite resources of the Massamba area which has the potential to host very large tonnages of ore amenable to producing a saleable iron concentrate.

The Company has contracted Capital Drilling to carry out a 2,000m diamond drilling program during the first half of 2009 and it looks forward to reporting initial results in the coming months.

### **Mundonguara Advanced Brownfield Copper - Gold Project**

Analysis and interpretation of the data gathered in previous periods culminated in the reporting by Coffey Mining Pty Ltd of a JORC Inferred Mineral Resource Estimate on the 1km long Mine portion of the Mundonguara Project of 3.1Mt @ 1.4% copper, 0.11g/t gold and 2.1g/t silver using a 0.3% Cu lower cut-off grade extending to a maximum depth of 200m below existing development.

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 +1.5km
- 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.

The results from MMI soil geochemistry survey completed at Mundonguara has shown copper-in-soil anomalies confirming a mineralized strike length of 3km open ended to the west.

The strike potential to the west and east of the mine is robust and has received little attention in the past. The Seymour Prospect lies approximately 1km along strike to the west of the mine and is intruded by a deeply weathered and altered felsic body hosting both disseminated and stockwork style copper and gold mineralisation. The historic Seymour workings themselves appear to have been sunk on a massive sulphide vein immediately south of the intrusive. Additional mineralized intrusives have been identified 500m further to west again of the Seymour Prospect.

The Company's on-going exploration programme has included surface trenching and RC drilling at the Seymour prospect. Over the intrusive, trenching returned intersections of up to 20m grading 3.7% copper and 0.82 g/t gold from MTR001.



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These grades were confirmed by the RC drilling which returned intercepts of up to 17m grading 2.1% copper from 13m in MRC032 and 3m grading 9.59 g/t gold from 103m in MRC031.

Aeromagnetics identified structurally off-set continuations of the mine sequence approximately 2.5km to the northeast and MMI soil geochemical sampling in this area has identified copper anomalies of a similar tenor as those overlying the mine, indicating that mineralization persists through this area.

Australian based geophysical contractor, Search Exploration Services, has completed a detailed dipole-dipole induced polarity (IP) survey over the mine and along its strike continuations to the west and northeast. The results from the survey, coupled with the completed soil geochemistry, have assisted in the precise targeting of the next phase of drilling.

A comprehensive drilling campaign has been designed to further expand the resources of the Mundonguara System.

The Mundonguara mine is within 2km of the international railway and 5km of the highway, linking the project with the port of Beira. The power lines from the Cahora Bassa hydroelectric power scheme pass within 40km of the mine.

Baobab is very pleased with the outcome of the first of its resource estimates for Mundonguara which confirms its belief that the system can host significant mineralization. The resource envelope covers only a fraction of the prospective geology and future exploration campaigns will be targeting the depth extensions to the mine itself and the along strike potential as further funding becomes available to the Company.

### **Changara Prospect**

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

The Changara prospect, considered highly prospective for sedimentary exhalative / Broken Hill Type base and precious metal mineralisation, has experienced limited historical exploration.

The Company has completed a 10,261 sample soil geochemistry survey covering 380km<sup>2</sup> (approximately 70% of the project area) on 50m x 1200m and 50m x 400m grids.

Samples were analysed using an in-field XRF analyzer returned peak values of 605ppm lead, 6722ppm zinc and 8320ppm copper.



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Interpretation of the results has delineated significant multi-element anomalies, traceable over strike lengths of up to 2.5km, and associated with lower Proterozoic lithological boundaries, fold closures and dome/intrusive features.

The interpretation has identified high priority target areas for infill soil sampling and detailed geological mapping.

The Company believes that the detailed work undertaken on the Changara prospect will be of considerable interest to potential joint venture partners.

### **Outlook**

Mozambique is an exciting country to be exploring in with prolific natural resources potential and the Company remains focused on developing its assets there. This period has been one of exploration achievement with the two lead projects moving forward with very positive results achieved.

Funding secured in November 2008 and January 2009, in conjunction with the completion of the joint venture agreement with IFC, will enable the Company to implement its initial Tete drilling program in 2009 and we look forward to significant Tete Project enhancement as a result.

Given the current market conditions the coming year will pose its challenges, however Baobab has a suite of excellent projects and is confident that it will move them forward by way of further institutional support and joint venture initiatives.

**Brett Townsend**  
**Managing Director**

30 March 2009

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

*The information in this release that relates to Exploration Results is based on information compiled by Technical 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.*



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## CONSOLIDATED INCOME STATEMENT FOR THE 6 MONTHS ENDED 31 DECEMBER 2008

	Consolidated 6 Months Ended 31 Dec 08 (Unaudited) GBP	Consolidated 6 Months Ended 31 Dec 07 (Unaudited) GBP	Consolidated Year Ended 30 June 08 (Audited) GBP
Other Operating Income	13,357	32,408	69,543
Exploration Expenses	(529,083)	(660,170)	(1,689,031)
Administrative Expenses	(332,846)	(537,985)	(571,085)
<b>Loss from operations before tax</b>	<b>(848,572)</b>	<b>(1,165,747)</b>	<b>(2,190,573)</b>
Income tax expense	-	-	-
<b>Loss for the period attributable to equity holders</b>	<b>(848,572)</b>	<b>(1,165,747)</b>	<b>(2,190,573)</b>
Loss per share (basic and diluted)	(0.012)	(0.023)	(0.038)
Total Number of shares on Issue	85,078,502	58,789,502	65,078,502
Weighted average number of shares	68,774,154	49,666,626	56,982,513



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## CONSOLIDATED BALANCE SHEET 31 DECEMBER 2008

	Consolidated 31 Dec 08 (Unaudited) GBP	Consolidated 31 Dec 07 (Unaudited) GBP	Consolidated 30 June 08 (Audited) GBP
<b>Non-Current Assets</b>			
Property, Plant & Equipment	82,464	100,055	114,020
Mineral Properties	-	-	-
<b>Total Non-Current Assets</b>		100,055	114,020
<b>Current Assets</b>			
Trade and other receivables	3,172	60,313	73,583
Cash and cash equivalents	466,288	949,032	863,057
<b>Total Current Assets</b>	469,460	1,009,345	936,640
<b>Total Assets</b>	551,924	1,109,400	1,050,660
<b>Current Liabilities</b>			
Trade and other payables	159,726	340,462	227,636
<b>Total Current Liabilities</b>	159,726	340,462	227,636
<b>Total Liabilities</b>	159,726	340,462	227,636
<b>Net Assets</b>	392,198	768,938	823,024
<b>Equity</b>			
Share Capital	727,790	587,895	650,784
Share Premium	4,029,617	2,583,316	3,637,123
Reserves - Options	490,209	444,506	490,209
Reserves - Currency Translation	(138,059)	(2,818)	(86,305)
Retained Earnings	(4,717,359)	(2,843,961)	(3,868,787)
<b>Total Equity</b>	392,198	768,938	823,024



**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE 6 MONTHS ENDED 31 DECEMBER 2008**

	<b>Consolidated 6 Months Ended 31 Dec 08 (Unaudited) GBP</b>	<b>Consolidated 6 Months Ended 31 Dec 07 (Unaudited) GBP</b>	<b>Consolidated Year Ended 30 June 08 (Audited) GBP</b>
<b>Cash flows from operating activities</b>			
Net Loss for the period	(848,572)	(1,165,747)	(2,190,573)
Movement in Trade and Other Receivables	70,411	(4,060)	(17,330)
Movement in Depreciation	28,632	14,563	56,314
Movement in Trade and other Payables	(67,910)	213,441	100,615
Mineral Properties Written Off	498,315	679,119	1,461,220
Currency translation adjustment	(48,830)	14,678	(68,809)
Non Cash Benefits	-	50,876	96,579
<b>Net cash used in operating activities</b>	<b>(367,954)</b>	<b>(197,130)</b>	<b>(561,984)</b>
<b>Cash flows from investing activities</b>			
Purchases of Mineral Properties	(498,315)	(679,119)	(1,461,220)
Purchases of property, plant and equipment	-	(37,160)	(92,876)
<b>Net cash flows used in investing activities</b>	<b>(498,315)</b>	<b>(716,279)</b>	<b>(1,554,096)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issues of shares	500,000	753,073	1,890,038
Share Issue Costs	(30,500)	(74,365)	(94,634)
<b>Net cash flows from financing activities</b>	<b>469,500</b>	<b>678,708</b>	<b>1,795,404</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(396,769)</b>	<b>(234,701)</b>	<b>(320,676)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>863,057</b>	<b>1,183,733</b>	<b>1,183,733</b>
<b>Cash and cash equivalents at end of the period</b>	<b>466,288</b>	<b>949,032</b>	<b>863,057</b>



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## **NOTES TO THE INTERIM FINANCIAL REPORT**

### **Note 1 ACCOUNTING POLICIES**

The interim results are unaudited and do not comprise full accounts within the meaning of Section 240 of the Companies Act 1985. They are prepared under International Financial Reporting Standards in accordance with accounting policies set out in the financial statements for the year ended 30 June 2008 and these policies will be used for the year ended 30 June 2009.

### **Note 2 SUBSEQUENT EVENTS**

In January 2009 the Company issued 11,000,000 Ordinary Shares to IFC to raise £451,000 before expenses, and also completed a Joint Venture Agreement with IFC. Accordingly, the Company received US\$400,000 from IFC for the purchase of a 15% participating interest in the Tete Project, as well as US\$330,000 for pro-rata contribution to the 2009 exploration budget of the Tete Project.

### **Note 3 DIVIDENDS**

No interim dividend is being paid or proposed.

### **Note 4 LOSS PER SHARE**

Loss per share has been calculated on Ordinary Shares on issue.