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Baobab Drills On Towards An Updated Resource Estimate For Tete, Due Out In November

By Alastair Ford

“Things are really humming along at Tete”, says Ben James, managing director of [Baobab Resources](#). Tete, for those not in the know, is Baobab’s flagship development project, one that already boasts a 47.7 million tonne resource grading 25.3% iron, 18% vanadium oxide, and 9.69% titanium, all from just one small section, the Chitongue Grande deposit to the north end of the license. And there should be plenty more to come.

Independent estimates reckon that a total of four deposits could contain between 400 million and 700 million tonnes of ore across four deposits at the north end of Tete, including Chitongue Grande, while another project a few kilometres to the south, Singore, also looks highly prospective. That’s all to the good, since the so-called “desk top scoping study” undertaken by Coffey Mining back in 2008 and worked off a base case scenario of 300 million tonnes, and assuming production of around 10 million tonnes per year. So more ore is needed, and Ben James has set the drill rigs going hell for leather to get it.

Baobab recently completed a 7,500 metre scout drilling campaign, a campaign which was extended from the originally-planned 4,500 metres after the company found, as Ben succinctly puts it, “additional targets that needed a drill hole”. On the basis of that recently completed scout drilling, Ben reports that Tete appears to be hanging together very well. The company has now commenced a 7,000 metre programme of reverse circulation (RC) drilling, and will use the data gathered from that to compile a new resource estimate, due out in November.

“We’ve just canned the fourth hole”, says Ben. “We’ve got 35 planned, and already we’re seeing some good mineralisation.” Meanwhile, Coffey will go to work investigating the metallurgical options at Tete, meaning that by the end of the year, and with a new resource in place, and better information on metallurgy, the company will be that bit closer to production. Ben loosely estimates that first production will take place in three to five years, so there’s plenty yet that needs to be nailed down, but the boxes are now, slowly and surely being ticked.

One of the more immediate issues that the company will face will be funding. For examples of how to run a mining company effectively, but on the bare minimum, there's no need to look any further than Baobab. "We always operate on an excuse of a bootstring", says Ben, a statement which tends to be confirmed by talk in the market that one Baobab director resigned from a previous company because it paid too much for a coffee machine in its head office. Feathering the nests of the desk-jockeys has never been Baobab's style. The company's ability to stretch its funds that little bit further is made abundantly clear when Ben lightly explains that the additional drilling that Baobab has undertaken was funded from existing resources, out of the £3 million or so that was raised towards the end of last year at 6p per share. That cash was all already earmarked, but, says Ben, "we've just managed to stretch it further".

That'll be music to the ears of fund managers and retail investors alike, none of whom have been backing Baobab to buy coffee machines. Money going into the ground at a rapid rate is, by contrast, more than welcome. And that's probably why the company's shares are more than 33 per cent ahead of that October 2009 6p placing price, trading as they currently are at just shy of 9p.

Still, the money won't last forever, and Ben's already considering his next move. In part, Baobab's choices will be dependent on what the drilling shows up. But there's also the wider market to consider, and it's been blowing hot and cold on iron ore for a little while now. As far as the future is concerned, says Ben, "iron ore is a very difficult one to gauge. The view you get depends on who you're listening to and which conference you're attending". But having said that, he adds: "there's nothing more comforting than going into Beijing or Tianjin and seeing all the construction going on." The basic facts of Chinese industrialisation are not going away.

Whether that will add up to any real appetite in the equity markets remains to be seen, even if the potential at Tete is clear for all to see. As far as the next round of funding for Baobab is concerned, nothing's been decided. But the possibility of signing up a joint venture partner for the further development of Tete is top of the list of options discussed. And it would be no surprise if, down the line, the nationality of such a partner turned out to be Chinese.

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