



## HEADS OF AGREEMENT SIGNED FOR CHANGARA PROJECT

19<sup>th</sup> July 2010

Baobab Resources plc ('Baobab' or the 'Company'), the iron ore, base and precious metals explorer with a portfolio of mineral projects in Mozambique, is pleased to announce the signing of a Joint Venture Heads of Agreement (HoA) between Southern Iron Limited ('Southern Iron') and the Company's wholly owned Mozambique subsidiary, Capitol Resources Limitada ('Capitol', together with Southern Iron the 'Parties'), in respect to the Company's Changara base metal and manganese project (the 'Project').

### Highlights

- Southern Iron is an unlisted, Australian based company with a portfolio of advanced iron ore and manganese assets in South Africa and Swaziland. The company's management team has extensive corporate and technical experience in southern Africa.
- The Joint Venture has a five year, 4-stage investment structure:
  - 2-stage investment of US\$1.5m to earn a 50% interest in the project.
  - Further investment to bring discoveries to Pre-Feasibility status to increase project interest to 65%.
  - Option to fund Definitive Feasibility Studies to earn 80% total interest in the project.
- The Joint Venture will ensure the acceleration of exploration at the highly prospective Changara project where previous work carried out by Baobab has identified numerous Broken Hill Type base metal and manganese targets.
- Baobab will share technical management and operational responsibilities with Southern Iron. Field activities are due to commence in September 2010.

**Commenting today, Ben James, Baobab's Managing Director, said:** *"the signing of the agreement with Southern Iron has established a firm foundation from which we will be able to rapidly assess and develop the Changara project. We look forward to working with the Southern Iron team in exploring this exciting corner of Mozambique."*

### Details of Heads of Agreement

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 12 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 18 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. Activities are scheduled to commence in September 2010.

### **Changara Project Background**

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.

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. Follow-up assessment of the highest ranked targets is currently underway.

*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.*

A COPY OF THIS ANNOUNCEMENT AND ACCOMPANYING LOCATION PLAN IS AVAILABLE FOR DOWNLOAD FROM THE COMPANY'S WEBSITE [www.baobabresources.com](http://www.baobabresources.com)

For Further Information please contact:

Baobab Resources plc  
Ben James: Managing Director

Tel: +61 (0)8 9430 7151

Baobab Resources plc  
Jeremy Dowler: Chairman

Tel: +44 (0)1372 450529

Strand Hanson  
James Harris / Angela Peace

Tel: +44 (0)20 7409 3494

Astaire Securities  
Charles Vaughan

Tel: +44 (0)20 7492 4763

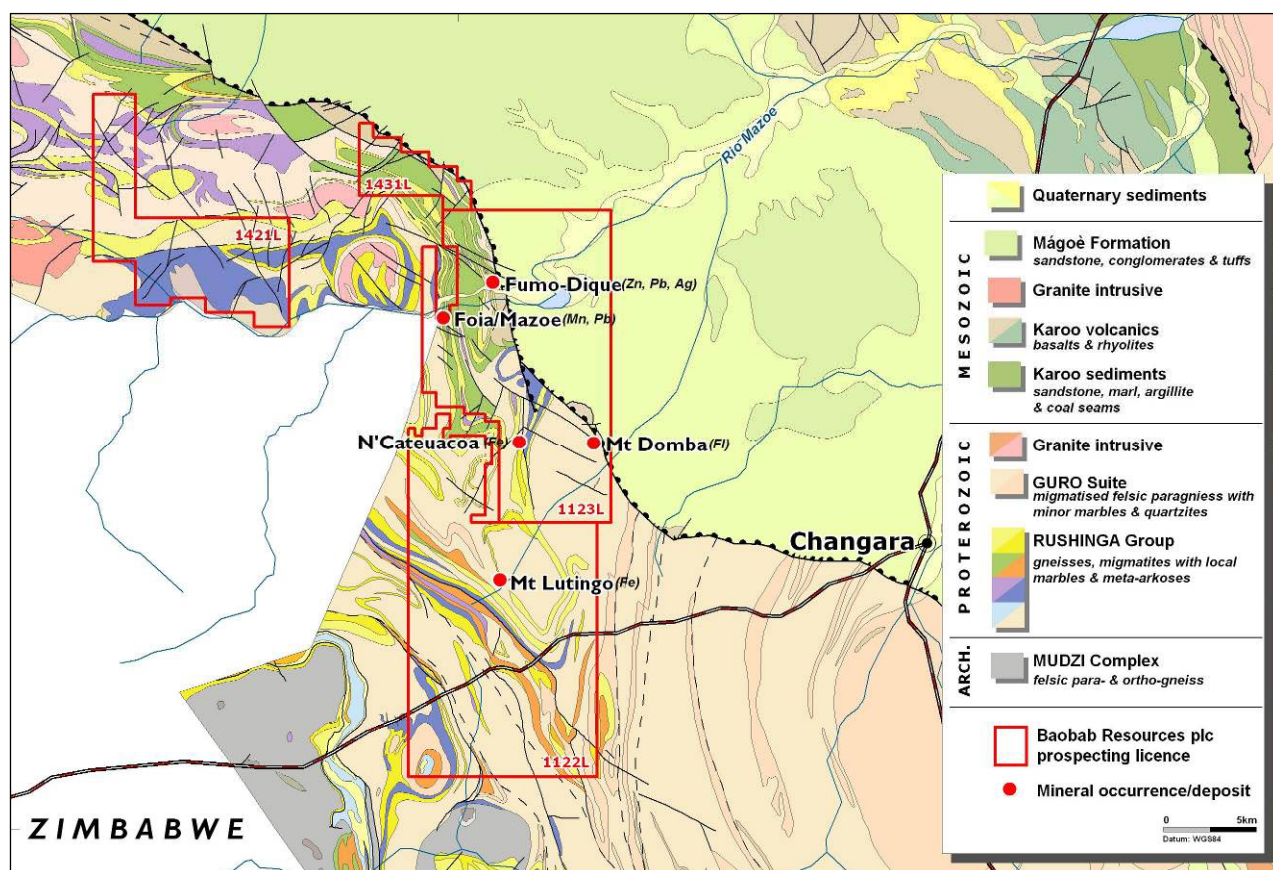


Figure 1: Changara location plan