

Baobab Resources plc

## HEADS OF AGREEMENT SIGNED WITH NORTH RIVER

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) with North River Resources plc ('North River') in relation to North River's Monte Muande magnetite/phosphorus, base and precious metal project (the 'Project') in the Tete province of Mozambique.

### Highlights

- The Project hosts the Monte Muande magnetite/phosphorus deposit as well as base and precious metal occurrences.
- The Joint Venture has a four year, 3-stage investment structure:
- Stage 1 investment of US\$625,000 to earn a 60% interest in the Project.
- Stage 2 investment to bring discoveries to pre-feasibility status to increase Project interest to 75%.
- Stage 3 investment to fund a definitive feasibility study to earn a 90% total interest in the Project.
- North River has the option to fund pro-rata at Stages 2 and 3 to maintain their 40% interest in the Project.
- Baobab will assume technical management and operational responsibilities for the Project. Compilation of historical exploration data has commenced and drilling is scheduled for Q2 2011.

**Commenting today, Ben James, Baobab's Managing Director, said:** *"the North River JV represents an excellent opportunity for Baobab to expand and consolidate its position in the Tete area. The Company looks forward to working with North River in assessing the highly prospective Monte Muande area and reporting drill results as early as practicable in 2011."*

### Details of Heads of Agreement

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. A review of historical exploration and data compilation is currently underway with drilling scheduled for Q2 2011.

#### Monte Muande Project Background

The Monte Muande project comprises two exploration licences covering an area of 338km<sup>2</sup> located approximately 25km northwest of the provincial capital of Tete. The licences are valid until Q3 2014.

The licences are underlain by the Proterozoic aged Chacocoma Granite and flanking Tete Mafic Complex. A carbonatite of Cretaceous age has intermittently intruded the eastern and northern margins of the Chacocoma Granite.

Previous exploration has targeted mineralisation within the carbonatite. During the 1980's, the Geological Institute of Belgrade conducted exploratory works at the Monte Muande magnetite/phosphorus deposit. More recently, Omega Corp (and latterly Mavuzi Resources) completed detailed exploration programmes investigating the uranium, gold and copper potential of the area.

While Baobab will be reviewing and following up base and precious metal occurrences, the Company's primary focus will be to rapidly evaluate the potential of the Monte Muande magnetite/phosphorus deposit.

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)

North River Resources Announcement:

North River Resources plc ('North River')

Heads of Agreement signed with Baobab Resources plc

North River Resources plc, the AIM listed southern African multi-commodity resource company, is pleased to announce the signing of a Joint Venture Heads of Agreement ('HoA') with Mozambique focussed iron ore, base and precious metal explorer Baobab Resources plc ('Baobab') in relation to North River's Monte Muande licences in the Tete province of Mozambique ('the Project') which is prospective for magnetite, phosphorus, uranium and gold.

Under the terms of the HoA, which comprises a three stage investment structure, Baobab will fund an initial exploration programme over a 12 month period on the Project, focussing in particular on the delineation of magnetite and phosphorus occurrences as well as base and precious metal mineralisation. The board of Baobab has committed to spending no less than US\$625,000 on the initial exploration programme, which will include 2,000m of diamond drilling. Baobab's participatory interest in the Project upon the completion of this initial exploration programme will be 60%. Subsequent investments by Baobab, firstly to bring discoveries to pre-feasibility status will increase Baobab's interest in the Project to 75% and finally to fund a definitive feasibility study will earn Baobab a 90% total interest in the Project. North River maintains the option to fund pro-rata both at pre-feasibility and definitive feasibility study stages in order to retain North River's 40% interest in the Project.

North River's Managing Director, David Steinepreis said, *"We continue to make strong progress with our Namibian portfolio of assets, including the nuclear fuels licences over which we have a JV agreement with Extract Resources Limited. This agreement with Baobab will ensure that these Mozambican licences, which are contiguous with Baobab's Singore and Massamba Group projects, are advanced in order to create value for North River whilst enabling our team to remain focussed on the development of our highly prospective Namibian assets in addition to evaluating new assets or businesses in sub-Saharan Africa. Additionally, this agreement also gives North River potential exposure to the iron ore market, and provides further multi-commodity robustness and geographic spread. In 2011, North River will undertake an extensive work programme on all its assets with drilling programs and field work underway in Namibia and Mozambique.*

"Baobab has a strong exploration track record in Mozambique, including in the Tete region where its ongoing exploration campaign at the Tete iron/vanadium/titanium project has yielded particularly encouraging results. I am confident that Baobab's highly skilled team, which has considerable experience in the iron ore sector, will be able to realise the potential of this licence for the benefit of all stakeholders."

**\*\*ENDS\*\***

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