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## MUANDE JV: IRON/PHOSPHATE & COAL EXPLORATION UPDATE

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Baobab Resources plc ('Baobab' or the 'Company') is an iron ore, base and precious metals explorer with a portfolio of mineral projects in Mozambique. The Company announced on 15 November 2010 the signing of a Joint Venture (the 'Joint Venture') with North River Resources plc ('North River') in relation to North River's Muande project (the 'Project') in the Tete province of Mozambique. The Muande project comprises two exploration licences covering an area of 338km<sup>2</sup> located approximately 25km northwest of the provincial capital of Tete and contiguous with Baobab's Tete project.

The principal areas of interest are the Monte Muande magnetite/phosphate deposit and Rio Mufa coal prospect. The Company is pleased to present an update on work completed.

### Summary:

- A programme of open-hole scout drilling at the Rio Mufa coal prospect has commenced. The prospect is underlain by 12km<sup>2</sup> of highly prospective Lower Karoo lithologies (confirmed during recent field investigations) and is flanked to the south and west by Rio Tinto tenure.
- Diamond drilling at the Monte Muande 200Mt to 250Mt magnetite/phosphate Exploration Target has been completed for an aggregate total of c.2,000m. Drilling has intersected broad zones of shallowly dipping mineralisation with first round analytical results due during November.
- Trench sampling to assess potential Monte Muande DSO (Direct Shipping Ore) eluvial Exploration Target of 3Mt to 5Mt has been completed with analysis currently underway.

**Mr Ben James, Baobab's Managing Director, said:** "Baobab is pleased with the rapid progress made at the Monte Muande magnetite/phosphate deposit and looks forward to presenting the first round of analytical results when they become available.

*"Rio Mufa represents 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."*

### 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 (*Figures 3, 4 and 5\**). 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 additional drilling. There is no reason to believe that mineralisation will not be encountered below the modelled depths.

<p><b>Table 1</b>  <b>Mt Muande Magnetite and Phosphate Project</b>  <b>Indicative Tonnages and Grades<sup>1</sup></b></p>
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Area	Material Type	Density (t/m <sup>3</sup> )	Tonnes Range (Mt)		Grade Ranges			
			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 were 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.

### **Rio Mufa Coal Prospect**

The Rio Mufa prospect includes 12 square kilometres of Lower Karoo lithologies underlying the southwestern corner of 1119L. The same 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 Moatize 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 38% 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 ongoing and drilling commenced in Q2 2011.

*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.*

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