BAOBAB
RESOURCES

Baobab Resources plc

Company Number 5590467

ANNUAL REPORT

30 JUNE 2010

Corporate Information

Directors	**Jeremy Dowler** Non Executive Chairman **Ben James** Managing Director **Jonathan Beardsworth** Non Executive Director **Jon Crowe** Non Executive Director
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Joint Company Secretary	**Mr Graham Anderson** GDA Corporate Suite 2 Level M 35 Havelock Street West Perth WA 6005 Australia
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CHAIRMAN'S STATEMENT

Baobab Resources plc ("Baobab" or the "Company") has made significant progress during the year in Mozambique, for the most part concentrating on its Tete iron/vanadium/titanium project. The 7,500 metre scout drilling campaign has already been completed on the central and southern portions of the Massamba Group Trend and the Group has now commenced step-out resource drilling in the South Zone of the Massamba Group.

In September 2009 independent interpretation completed by Coffey Mining Pty. Ltd. indicated an exploration target of 400 to 700 million tonnes of magnetite-ilmenite mineralisation to a depth of 250 metres below surface in the Massamba Group area.

In addition to the above, reconnaissance work at Singore has been very encouraging and rock chip samples returned DTR concentrate grades up to 64.1% Fe with 47.7% Mass Recovery. The Company expects to target scout drill holes here as soon as practicable.

Tete has demonstrated that it is an emerging mining and industrial hub of southern Africa with majors Vale and Riversdale/Tata Steel developing massive coal projects with mining of both thermal and metallurgical coal due to commence in 2011. Coal fired power plants are in the planning stage and expansion of low tariff hydro-electric power from Cahora Bassa and Mphanda N'kuwa is also planned. Railways connecting Tete to the ports of Beira and Nacala are being refurbished as are the ports themselves.

The Tete project has proved that it has high potential and the Group will continue to advance development during the coming year as rapidly as possible. Performance of drilling rigs, weather patterns and turnaround times at laboratories all impact on the progress that can be achieved but with the Platts 62% Fe Index (delivery North China) steady at $150 dry metric tonne there is much to be encouraged about moving forward to 2011.

The Group's other projects notably the Mundonguara Copper/Gold/Nickel Project and the Changara project are covered in some detail in the Directors' Report. It is worth noting that, at the time of writing, the price of gold is above $1,400 per ounce and copper is above $3.80 lb. both very significant advances during the past year. Baobab expects to continue early stage exploration on its gold licences in the near future.

The Company has raised funds as and when required and share placements at 6p per share were completed in October 2009 and November 2009 raising £2,981,000 before expenses. In addition to these funds the International Finance Corporation (IFC), a member of the World Bank group, contributed $700,000 as its joint venture funding for the Tete project in April 2010.

In October 2010 Baobab secured a three year Equity Line Facility ("ELF") of up to £5 million with Dutchess Opportunity Cayman Fund, Ltd. The ELF has been arranged by First Columbus LLP, Dutchess's joint venture partner in the UK. We believe that this is a cost effective solution for some future financings with management being in control of the timing on accessing capital. The threshold price floor mechanism allows management to protect the stock price. At a time when the Group is consolidating its position in Tete the facility will assist in the acceleration of drilling programmes where warranted and better enable the Group to participate in opportunities that may arise.

We thank all of our employees including the dedicated workforce in Mozambique for their continued hard work and commitment. We also thank our shareholders for their continued support and encouragement. We firmly believe that Baobab is poised for further exploration success in 2011 and the recent uplift in the prices of precious metals and base metals gives us the confidence to move our projects forward as rapidly as possible.

Jeremy Dowler
Chairman

PROJECT OVERVIEW

Baobab Resources plc has made significant progress during the period in Mozambique, focusing its efforts on the Tete iron/vanadium/titanium Project. Work completed by the Group during 2009 culminated in the estimation of a 47.7mt maiden Inferred Mineral Resource and a 400mt to 700mt Exploration Target in the Massamba Group area. Independent scoping metallurgical studies and financial modelling indicates positive project economics in the production of high quality magnetite (iron and vanadium) and ilmenite (titanium) concentrate commodities.

Following the *Proof of Concept* work of 2009, the Group has completed a 7,500m programme of scout diamond drilling testing the central and southern portions of the Massamba Group Trend. A 7,000m campaign of step-out reverse circulation resource drilling has commenced, targeting a sequence of mineralised zones over a strike length of 2km. Systematic metallurgical test work is on schedule for Q4 2010.

During October and November 2009 the Group secured placings totalling £2.98m before expenses. In March 2010, the Group also received US$704,213 from the International Finance Corporation (IFC), representing their 15% participatory interest in the 2010 Tete Project Joint Venture exploration programme.

All mineral exploration licences are in good standing with those due for prorogation during the reporting period extended for between two and five years.

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

The Tete project is located immediately north of the Zambezi River and the Provincial capital of Tete and comprises three contiguous Exploration Licences that straddle the central portion of the Tete Mafic Complex, covering an area of approximately 632km^2.

Tete is fast becoming a major investment centre and an emerging mining and industrial hub of southern Africa. Baobab’s project shares licence boundaries with mining majors Vale and Riversdale/Tata Steel who are developing the mega coal projects of Moatize and Benga (combined resources in excess of 8 billion tonnes). Mining is due to commence in 2011 with both thermal and metallurgical coal extracted for domestic consumption and export respectively.

Low tariff hydro-electric power is readily available from the 2,075 megawatt Cahora Bassa dam. Studies are underway to expand the dam’s capacity by an additional 1,300 megawatts. A new 1,500 megawatt scheme at Mphanda N'kuwa, also on the Zambezi, is in advanced planning stages and due to commence production in 2015.

Coal fired power plants have been proposed for Moatize and Benga. Riversdale has announced that the Benga power station will commence production in 2013 at an initial capacity of 500 megawatts with an option to expand to 2,000 megawatts.

The railway connecting Tete with the port of Beira is being refurbished, as is the port. The deep water port of Nacala and railway linking the port with the interior is also being refurbished under the auspices of the World Bank.

International Finance Corporation (IFC), a member of the World Bank group, participated in a placement in November 2008 subsequent to which they became the Group's second largest single shareholder. In January 2009 Baobab consolidated this strategic partnership through a joint venture agreement whereby IFC will maintain a 15% equity in the project by contributing to Tete project funding.

The project contains two areas of magnetite-ilmenite mineralisation; the Singore area to the south and the Massamba Group trend in the north. The 8km long Massamba Group trend is composed of a series of five prospects including Chitongue Grande and Pequeno, Caangua, Chimbala and South Zone that have experienced little or no historical exploration.

Baobab commenced exploration activities at the Tete Project in 2008 completing an aeromagnetic survey, field mapping and sampling and metallurgical test work. The Group has focused its 2009/2010 activities on the Massamba Group area.

Resource Diamond Drilling

Diamond drilling at the Chitongue Grande prospect, one of five deposits that make up the Massamba Group, commenced in April 2009. The programme was composed of 15 holes (3,092m) drilled at an inclination of 60 degrees along 4 northwest-southeast traverses spaced 100m and 200m apart covering a strike length of approximately 500m.

Drilling intersected stacked packages of magnetite-ilmenite mineralisation intercalated with gabbroic and anorthositic country rock. The packages dip at moderate angles of 10 degrees to 30 degrees southeast from surface and are composed of individual horizons, varying in width from 0.5m to 30m. Vertical, fine grained mafic dykes intrude the area. Mineralisation remains open down dip on all sections.

Sample preparation was completed by ACT-UIS laboratories in Tete, Mozambique prior to despatch to ALS Chemex laboratories in Perth, Western Australia for Davis Tube Recovery (DTR) and XRF analysis.

Resource Estimate

Internationally respected consultants, Coffey Mining Pty Ltd ('Coffey'), were commissioned to complete a resource estimate based on the completed drilling programme at Chitongue Grande. Their estimate of an Inferred Mineral Resource compiled in accordance with the JORC Code is tabulated below.

The mineralised horizons contain internal partings of non-mineralised waste material which have not been sampled. Some of this material may not be preferentially mineable and would therefore act as a dilutant. Without sampling the intermediate waste partings, it has not been possible to predict what the expected weight recovery and recovered grades might be. However, based on the completed estimation, the expected average recovery for the magnetite portion of the mineralised material will be in the order of 20% with the average concentrate grade in the order of 63.7% Fe, 0.68% V_2O_5, 4.86% TiO_2, 1.3% SiO_2, 2.75% Al_2O_3, 0.001% P and 0.37% S.

Tete Iron Ore Project Chitongue Grande Titano-Magnetite Prospect Mineral Resources Grade Tonnage – 15th September 2009 Reported within Material Type Horizons (Fresh, Transitional, Oxidised) Whole Rock Grade Estimates Derived by Ordinary Kriging No Lower Grade Cutoff Applied Resource Classification Based on JORC Code (2004) Guidelines

Resource Classification	Material Type	Tonnage (Mt)	Fe (%)	V_2O_5 (%)	TiO_2 (%)	SiO_2 (%)	Al_2O_3 (%)	P (%)	LOI (%)	CaO (%)	K_2O (%)	MgO (%)	Mn (%)	Na_2O (%)	S (%)
Inferred	Fresh	42.3	25.1	0.18	9.55	27.9	12.27	0.024	-0.31	4.55	0.72	4.38	0.19	2.20	0.30
	Transition	3.7	26.1	0.19	10.65	28.2	12.69	0.018	1.43	3.71	0.55	2.87	0.17	2.11	0.02
	Oxidised	1.7	27.1	0.20	11.03	27.2	12.65	0.019	1.17	3.50	0.51	2.62	0.18	2.01	0.02
Total		47.7	25.3	0.18	9.69	27.9	12.32	0.023	-0.12	4.44	0.70	4.19	0.19	2.18	0.26

Exploration Target Study

Coffey also assessed the exploration target potential of the Massamba Group area for iron / vanadium (in the form of magnetite) and titanium (in the form of ilmenite) mineralisation. While the Chitongue Grande drill hole data and resource modelling were used to assist in the characterisation of mineralisation, the resource area was not included in the area of assessment.

Due to the very high magnetic susceptibility of the targeted mineralisation, Coffey elected to utilize the Group's high resolution aeromagnetic coverage as the primary means of assessing the potential, complemented by geological mapping, rock chip sampling and drill hole data.

Southern Geoscience Consultants completed an inversion modelling exercise of the airborne geophysical data, generating three dimensional isosurfaces for a range of magnetic susceptibilities (SI). Coffey compared the isosurfaces with the resource model at Chitongue Grande and concluded that the magnetic susceptibilities of 0.25SI and 0.3SI best encapsulated the interpreted mineralisation.

Coffey has used the 0.25SI and 0.3SI isosurfaces to digitise volumes to 250m below surface and model a range of tonnages using a density of 3.2 and a gangue discount of 40% (as presented below). An exclusion zone, with a radius of 1.2km centered on the Chitongue Grande resource, was not included in the modeling. Coffey elected not to model nor report grades in this study.

MASSAMBA GROUP AREA Indicative Tonnages (Excluding Chitongue Grande Resource area)			
Magnetic Susceptibility (SI)	**To Depth (m)**	**Density (g/cm3)**	**Tonnage (Mt - rounded)**
0.25	-250	3.2	700
0.3	-250	3.2	400

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, in cases other than the Chitongue Grande deposit.

Conceptual Scoping study

Coffey was then commissioned to complete a desk top scoping study based on the drill hole analytical results, 2008 bulk sample test work and limited petrographic analysis of drill core.

The preliminary petrography report and Davis Tube Recovery (DTR) analysis of Chitongue Grande drill core demonstrated amenability to the production of two separate concentrate products through a primary Low Intensity Magnetic Separation (LIMS) circuit, followed by the re-processing of the non-magnetic tails through a gravity separation and High Intensity Magnetic Separation (HIMS) circuit. The concentrate characteristics would be:

- **LIMS:** a high grade magnetite ferro-vanadium concentrate grading 67% - 70% Fe, 0.6% - 1.0% V_2O_5 and 1.3% to 3.5% TiO_2 at a mass recovery of 20 - 25%. All other deleterious elements would be within acceptable limits.
- **HIMS:** an ilmenite concentrate grading 50% TiO_2 and 10% - 15% Fe at a mass recovery of 8% - 14%.

Although the Chitongue Grande results indicated a 20% to 25% mass recovery, the bulk sampling test work from Chitongue Pequeno and Caangua prospects and rock chip DTR analysis from other areas within the project (completed during 2008) reported considerably higher mass recoveries in excess of 50% for the ferro-vanadium concentrate. It is considered that significant improvement of the overall mass recovery may be achieved if the Chitongue Grande feed is blended with other, high recovery feed stocks in the proposed processing plant.

The study concluded that there were a number of processing options that could be applied to the Tete deposit and that there was considerable upside that may yet result from further optimisation of various processing route options via laboratory test work. The ilmenite concentrate in particular may then be further processed through roasting, chemical or pyrometallurgical processing methods to produce a higher grade concentrate.

The study concluded that there were a number of processing options that could be applied to the Tete deposit and that there was considerable upside that may yet result from further optimisation of various processing route options via laboratory test work.

Coffey also completed a financial modelling exercise, drawing together the results of the resource estimate and exploration target assessment and mineral process analysis. Additional inputs were based on a suite of industry standard assumptions.

Based on the parameters outlined below, the analysis indicated viable project economics in the mining and processing of magnetite and ilmenite concentrates for export from a resource base of 300Mt and a significantly discounted iron ore price.

Coffey Mining Scenario Parameters	
Resource Base:	300Mt
Mill through-put:	10Mtpa
Mine Life:	30y
Magnetite con production:	3Mtpa
Magnetite con grade:	69% Fe / 0.8% V205
Ilmenite con production:	1.2Mtpa
Ilmenite con grade:	50% TiO2 / 12% Fe

Estimated Costs (fob)	
Capital Expenditure:	US$542m
Operational Expenditure:	US$34/t (concentrate)
Transport (rail/port):	US$20/t (concentrate)

Commodity Prices	
Iron ore:	$0.90/dmtu
V2O5 (assuming a 15% credit)	US$32/kg
TiO2:	US$80/t (concentrate)

Due to the project's unique access to both low tariff hydro-electric power and coking coal, an additional desktop study was commissioned to review opportunities of further on-site processing through scenarios such as mine-mouth pelletising and smelting. The results of the study, although based on preliminary data only, indicated robust project fundamentals that need to be clarified and expanded upon during the pre-feasibility and definitive feasibility phases.

* dmtu: *Dry Metric Tonne Unit*

Scout Diamond Drilling Programme

A scout drilling programme, designed to assess the Chimbala and South Zone prospects of the Massamba Group trend, has been completed for an aggregate total of approximately 7,500m. The purpose of the campaign has been two-fold: to improve confidence in the Group's Exploration Target and to clarify geological domains for continued metallurgical test-work.

The ***Chimbala prospect*** comprises the central portion of the Massamba Group trend and is underlain by a 3km^2 zone of strong aeromagnetic response. Limited historical exploration has taken place in the prospect area. Recent detailed geological mapping carried out by the Group has outlined iron, vanadium and titanium mineralisation occurring as cumulate sequences within steeply dipping gabbro / anorthosite country rock.

A total of 25 diamond drill holes have been completed at Chimbala for an aggregate total of 5,378m. The drilling has intersected packages of both cumulate and intrusive style magnetite-ilmenite mineralisation.

The ***South Zone*** prospect was first recognised by the Group during its 2008 high resolution aeromagnetic survey, as a 2.5km long north-south zone of high magnetic response immediately south of the known Massamba Group prospects. The primary iron, vanadium and titanium mineralisation occurs as cumulate sequences within the gabbro / anorthosite suite. A secondary phase of mineralisation, in the form of a vertical massive magnetite-ilmenite intrusive dyke, outcrops as a chain of small ridges along the western margin of the magnetic anomaly. The dyke has an apparent thickness in excess of 20m and appears to crosscut the primary mineralisation. Post-mineralisation tectonics has segregated the prospect into at least 5 discrete fault blocks.

Three diamond drill holes were completed at the South Zone prospect in 2009 prior to the onset of the wet season. A further six diamond holes have been completed this year bringing the total metres drilled at the prospect to 2,127m. Drill holes targeted magnetite-ilmenite outcrops and linear trends of strong magnetic response. All holes have intersected substantial widths of mineralisation of between 20 and 100m (true width).

Sample preparation was completed by ACT-UIS laboratories in Tete, Mozambique prior to despatch to ALS Chemex laboratories in Perth, Western Australia for Davis Tube Recovery (DTR) and XRF analysis. For a complete listing of significant intercepts, please refer to RNS announcements available on the Group's website.

Reverse Circulation (RC) Step-Out Resource Drilling

Due to the significant widths and interpreted lateral continuity of mineralisation at South Zone, the prospect has been prioritised for step-out reverse circulation (RC) drilling. The programme will be systematically assessing a sequence of seven mineralised zones over a strike length of some 2km, drilling on traverses spaced 100m apart.

A total of 50 RC drill holes have been planned for a combined meterage of 7,000m (maximum hole depth 200m). Drilling commenced in August 2010 and at the time of writing, approximately 2,500m has been completed. Additional drill rigs are being sought to accelerate the programme.

It is the Group's intention to combine the results of the scout diamond drilling and RC programmes to estimate a global resource for the South Zone prospect.

Commencement of Metallurgical Studies

Coffey has been commissioned to complete a detailed metallurgical review of the magnetite-ilmenite mineralisation. The primary objective of the study is to determine optimum flow sheets to process the various ore domains present in the project area. The study will focus on the styles of mineralisation underlying the Chitongue Grande resource area and the South Zone prospect.

An initial phase of statistical analysis is currently underway with the objective of identifying and targeting ore domains for metallurgical drilling. The drilling is intended to commence in November 2010 with drill core being despatched to Perth, Western Australia, for test work.

Reconnaissance Exploration – Singore Prospect

The Singore area lies approximately 12km to the south and southeast of the Massamba Group. The area has been divided into two contiguous prospects; Singore West and Singore East. While massive magnetite-ilmenite outcrops underlying Singore West have experienced limited historical exploration (trenching and mapping in the 1960's and 1980's), the Singore East area, where geophysical imaging outlines significant magnetic lineations traceable over distances of up to 6km, remains entirely unexplored.

In November/December 2009, Baobab commenced reconnaissance field investigations of the Singore East area, focusing on three linear, northeast oriented, zones of strong magnetic response. Substantial widths of magnetite-ilmenite mineralisation, up to 50m wide and 850m long, were mapped in the field. A total of 26 rock chip samples were collected for analysis. DTR concentrate grades included:

- **62.5% Fe, 5.41% TiO_2, 0.98% V_2O_5, 42.9% Mass Recovery (sample 011277)**
- **64.1% Fe, 4.61% TiO_2, 0.97% V_2O_5, 47.7% Mass Recovery (sample 011292)**
- **62.6% Fe, 6.04% TiO_2, 1.01% V_2O_5, 51.9% Mass Recovery (sample 011293)**

The outcome of the reconnaissance work at Singore East is particularly encouraging as it has opened up highly prospective, virgin exploration ground close to the Group's area of core activity. While the Massamba Group remains the focus of the 2010 drilling campaign, Baobab's technical team will be rapidly developing the knowledge base at Singore with the view to targeting scout drill holes as soon as practicable.

Forward Programme

While the Group has rapidly advanced the Tete project over the past 18 months, there remains a significant amount of work ahead to complete a comprehensive assessment.

It is the Group's objective to rapidly advance the Tete project towards the completion of pre-feasibility studies over the coming 12 to 18 months. Beyond the current step-out resource drilling campaign and metallurgical test work, the next cycle of exploration activities will include:

- South Zone resource estimation based on the results of the current scout and step-out drilling.
- Commencement of resource drilling in the Chimbala prospect area to further expand the resource inventory.
- Continued metallurgical test work, market studies and viability analysis to determine optimal process flow sheets.
- Opening preliminary negotiations with government departments, suppliers, end users and key stake holders.
- Preliminary assessment of high priority aeromagnetic targets in the Singore area.

Considering all factors, the Tete Project has confirmed itself this year to be of high potential and Baobab will continue to rapidly advance its development during the coming year.

Mundonguara Copper/Gold/Nickel Project

During 2008 the Group announced a Stage 1 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, 2.1g/t silver.

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 +2km.
- 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.

During the past 18 months exploration work at Mundonguara has been largely suspended due to limited funding opportunities in the wake of the global financial downturn. Baobab firmly believes that the project has substantial potential and is actively seeking investment mechanisms to support further exploration and development.

Changara Broken Hill Type Base Metals & Manganese Project

The Changara project comprises four exploration licences covering an area of 525km² 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 Proterozic 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 2008, Baobab completed an extensive soil geochemistry survey covering an area of 380km² 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.

In July 2010 the Group announced that it had entered into an unincorporated joint venture with Southern Iron, an Australian based, private company building a portfolio of manganese and iron assets in southern Africa.

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 that 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 Group. Activities are scheduled to commence in November 2010.

Greenfield Projects

A comprehensive stream sediment programme was completed over the ***Sussundenga/Bandire Project*** area (load gold targets) during the reporting period, identifying numerous drainage catchments for follow-up field work.

Geological mapping program is scheduled for the ***Senga Senga*** licenses (Telfer Type gold/copper model).

It is the Group's objective to secure joint venture agreements in order to accelerate exploration of the greenfields assets.

Outlook

Over the past 12 months the Group has developed the Tete project from a concept to a Group flagship. While there is still a significant amount of work ahead, the salient fundamentals of the project continue to fall into place:

- The maiden 47.7Mt Inferred Resource and 400 – 700Mt Exploration Target exceeds perceived requirements with respect to resource scale.
- Metallurgical test work points towards the viable production of discrete, high quality magnetite/vanadium and titanium concentrate products with potentially significant downstream upside.
- The project is strategically located to access existing and expanding infrastructure and complementary resources.
- Ideal partnership with the IFC for a project of this scale.
- Scout and step-out drilling outlining areas of additional resource potential.

2010/2011 will be an exciting period for Baobab as the Group continues to drive the Tete project towards feasibility. Investments secured during the reporting period, in conjunction with the on-going commitment by IFC, means the Group is fully funded to complete 2010 scout and step-out resource drilling and metallurgical campaigns. Current market sentiment and longer term iron ore and related metals forecasts are positive, making the bulk commodity space an exciting arena in which to be working.

Baobab also holds a suite of enviable base and precious metal assets in its portfolio. The Group is confident that it will be able to move them forward by way of further institutional support and joint venture initiatives.

All mineral exploration licences are in good standing with those due for prorogation during the reporting period extended for an additional two to five years.

Ben James
Managing Director

12 November 2010

Competent Persons Statement

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.

DIRECTORS' REPORT

The Directors present their report and financial statements for the year ended 30 June 2010.

Principal activity

During the financial year the principal activity of the Group was the investigation and analysis of geological opportunities in Mozambique.

Baobab Resources plc has four 100% owned subsidiary companies.

Maputo Minerals Limited (Registered in the British Virgin Islands)
Mocambique Resources Limited (Registered in the British Virgin Islands)
Capitol Resources Lda (Registered in Mozambique)
Baobab Mining Services Pty Ltd (Registered in Australia)

Baobab Resources plc owns all the shares in Maputo Minerals Limited which owns 50% of the shares in Capitol Resources Lda.

Maputo Minerals Limited owns all the shares in Mozambique Resources Limited which owns 50% of the shares in Capitol Resources Lda. Capitol Resources Lda holds a 100% interest in 12 Mozambique prospecting licences. Baobab Resources Plc owns all the shares in Baobab Mining Services Pty Ltd which is providing management services for the exploration programme in Mozambique.

During the year the Group has further developed the areas of interest under these licences.

Results and dividends

The loss for the year ended 30 June 2010 after income tax was £1,961,146 (2009 - £1,551,370).

No dividends have been paid during the year and the Directors cannot recommend that any dividend be paid.

Business review

A review of the business is contained in the Chairman's statement and the Project Overview.

Financial risk management objectives and policies

The Group uses various financial instruments these include cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the Group to financial risks, which are described in more detail below. To date the Group has not had significant financial risks for the Directors to use hedging or other financial risk minimising transactions.

The main risks arising from the Group's financial instruments are market risk, credit risk and liquidity risk. The Directors review and agree policies for managing each of these risks and they are summarised below.

Market risk

Market risks affecting the Group are currency risk and interest rate risk. In the Group's operations to date, currency risk is the more significant risk to which the Group has been exposed.

Currency risk

The Group is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency will be matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated with forecast transactions, will be hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the Group does not adopt an accounting policy of hedge accounting for these financial statements.

Credit risk

The Group's principal financial assets are cash. The credit risk associated with cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

Liquidity Risk

The Group’s practice is to regularly review cash needs including those of its subsidiaries and to place excess funds on fixed term deposits for periods not exceeding three months with an institution that is of high credit rating.

The Group manages liquidity risk by control of expenses and periodic raising of additional equity. The Group has sufficient funds to continue operations for the forthcoming year.

Exchange controls/distributions controls

The mining projects in Mozambique are still at an exploration stage and no funds were remitted from Mozambique during the year.

Key performance indicators (KPI's)

Retention of existing exploration licences

The Group has retained its existing tenement holdings and held 16 exploration leases during the financial year.

Executive and Non-Executive Directors attendance at Board meetings

There has been 100% attendance at monthly Board meetings achieving the Board's desired attendance criteria.

Expenditure is undertaken in line with budget

Actual expenditure has remained within budget during the year.

Principal risks and uncertainties

The significant risks that may affect the Group include funding, political risk, labour risk and exploration risk. These are general economic conditions which may affect exploration companies. These risks are minimised through the development of sound management practices.

Funding risk

The Group will from time-to-time seek to raise funds to manage its exploration programme. Fund raising will usually be undertaken by placement of equities via the Alternative Investment Market or entering into a joint venture arrangement with a partner for one of its projects. The funding risk faced by the Group is that it may not be able to raise the required funds at the time that the funds are required. Under these circumstances the Group would amend its exploration programme to remain within its existing financial resources.

Political risk

The Group's exploration licences are in Mozambique. The Group faces political risk whereby changes in government policy or a change of governing political party could place its exploration licences in jeopardy. The Mozambique government has been stable for many years and fosters a beneficial climate towards companies exploring for resources. It is not anticipated that this situation is likely to change.

Labour risk

The Group needs to employ both a skilled and unskilled labour force to undertake its exploration programme. The labour risk identifies that a suitably skilled labour force may not be available. To mitigate the risk, the Group has undertaken to train employees in the skills required and has engaged suitably skilled speciailists as required.

Exploration risk

The Group currently holds 16 licences exploring for a variety of commodities in Mozambique. The Group has a large land-holding covering six discrete project areas. The Group faces exploration risk that the results of the exploration activities indicate that there is no economically viable quantities of minerals from its exploration sites.

Creditors payment policy

It is the Group's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of those terms and endeavour to abide by them. Trade creditors at year end amount to 52 days (2009: 50 days) average supplies for the year.

Indemnities and insurance

Article 40 of Baobab Resources Plc Articles of Association allows the Group to, subject always to the provisions of the Statutes, and without prejudice to any protection from liability which may otherwise apply, allow the Group, at its discretion and subject to any policies adopted by the Directors from time to time, indemnify every Director or other officer or auditor of the Group out of the assets of the Group against all costs, charges, losses, expenses and liabilities which he may sustain or incur in relation to the Group in or about the actual or purported execution of the duties of his office or the exercise or purported exercise of his powers or otherwise in relation thereto, including any liability incurred by him in defending any criminal or civil proceedings, provided that no such indemnity shall be provided in respect of any liability incurred.

The Directors and executive officers named in this Annual Report have the benefit of this requirement, as do individuals who formerly held one of those positions.

Future developments

Future developments are contained in the Chairman’s Statement and Project Overview.

Post balance sheet events

Equity Line Facility
Since 30 June 2010, the Group has secured a three year Equity Line Facility ("ELF") of up to £5 million with Dutchess Opportunity Cayman Fund, Ltd ("Dutchess"). The ELF has been arranged by First Columbus LLP ("First Columbus"), Dutchess's joint venture partner in the UK.

The ELF offers Baobab ongoing access to capital as it enables the Group to obtain funding from Dutchess at any time during the next three years by way of subscription for new ordinary shares in the Group. Subscriptions will be priced at a 6 per cent discount to the market price and will take place at timings and intervals and in sizes determined by the Group.

In consideration for the ELF, Baobab has agreed to pay First Columbus LLP a Commitment Fee through the issue of 666,667 shares in the Company ("Fee Shares") and to issue Dutchess and First Columbus LLP 444,444 warrants in aggregate with an exercise price of 16.88 pence, being a 50 per cent premium to the Company's middle market closing price on 20 October 2010.

Joint Venture Heads of Agreement
The Company's wholly owned subsidiary Capitol Resources Limitada has signed a Joint Venture Heads of Agreement with Southern Iron Limted in respect to the Company's Changara project.

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 November 2010.

The Directors are not aware of any other matter or circumstance that has significantly or may significantly affect the operations of the Group or the results of those operations, or the state of affairs of the Group in subsequent financial years.

Corporate

The Group is limited by shares and domiciled in England. There were twenty three employees as at the year-end other than the non executive Directors.

Directors

The Directors during the year were as follows:

Jeremy Dowler
Brett Townsend (resigned 8 December 2009)
Jonathan Beardsworth
Ben James

Mr Jon Crowe was appointed as a non-executive Director on 17 September 2009.

Information on Directors

Jeremy Dowler - Non Executive Chairman

Jeremy's career as a finance director has taken him from the City of London to South Africa and Australia in senior administrative positions in insurance, publishing and resources, including Brockbank Group plc and Thomson Books (London book publishing division of International Thomson Organisation). Jeremy has served on the boards of various resource companies and was a founding shareholder and the former Finance Director of Platmin Limited, a platinum exploration and development Company with projects in South Africa.
This Company is listed on AIM and the Toronto Stock Exchange. He brings significant administrative and financial skills to the Company.

Ben James BSc. – Managing Director

Ben is a senior geologist with over 10 years experience in the exploration and mining industry. Graduating with a degree in geology from the University of Otago in 1994, he has since held exploration and development roles in a variety of terrains including the Archaean Greenstone belts of Western Australia, Proterozoic gold and base metal systems in Zambia, porphyry gold-copper deposits in the Romanian Carpathians and Ordovician orogenic mesothermal gold mineralisation in New Zealand's South Island. Ben has worked for various companies including Oceana Gold, RSG Global, Katanga Resources, Hill 50 Gold and Herald Resources. As Technical Director of Baobab, Ben's role is focused on the advancement of the Groups's projects in Mozambique.

Jonathan Beardsworth - Non-executive Director

Jonathan Beardsworth is CEO of Metals Exploration Plc. Previously he was head of the London office of Standard Bank Plc's Mining and Metals team. In the last 12 years he has participated in and led a variety of M&A and strategic advisory assignments in the mining industry worldwide.

Jon Crowe – Non-executive Director (Appointed 17 September 2009)

Alexander Irwin (Jon) Crowe, has been the Group's Market Relations Manager since Baobab's admission to AIM in February 2007. Mr. Crowe has been involved in the exploration industry for over twenty years, providing contract field services as the principal of Menzies Exploration Company Pty Ltd and he has extensive prospecting experience in Australia and southern Africa. He was a Director of ASX-listed Bamboo Gold Mines Limited and a founding Director of ASX-listed Zambezi Resources Limited.

Statement of Directors' responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Statement on information given to auditors

Each director at the time of approval of this report confirms so far as the director is aware, there is no relevant audit information of which the auditors are unaware, and he has taken all steps that he ought to have taken as director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to re-appoint PKF (UK) LLP as auditor for the ensuing year will be proposed at the forthcoming annual general meeting.

Ben James
Director
12 November 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BAOBAB RESOURCES PLC

We have audited the financial statements of Baobab Resources plc for the year ended 30 June 2010 which comprise the consolidated and company statements of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of cash flows, the consolidated and company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group’s and the parent company’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group’s and the parent company’s affairs as at 30 June 2010 and of the group’s and the parent company's loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

PKF (UK) LLP

Stuart Barnsdall (Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors

London, UK
12 November 2010

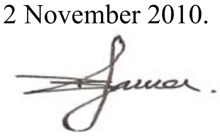
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Note	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Continuing Operations			
Other operating income	3	-	276,320
Exploration expenses		(1,367,043)	(1,265,810)
Administrative expenses		(673,273)	(580,645)
Loss from operations before tax		(2,040,316)	(1,570,135)
Interest received		79,140	18,765
Loss before tax		(1,961,146)	(1,551,370)
Income tax expense	7	-	-
Loss for the year attributable to equity holders	5	(1,961,146)	(1,551,370)
Other comprehensive income			
Foreign currency translation differences		156,529	(12,200)
Total comprehensive loss for the period attributable to equity holders		(1,804,617)	(1,563,570)
Loss per share (basic and diluted)	8	(1.38)	(1.86)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010
Company Number 5590467

	Note	30 June 2010 £	30 June 2009 £
Non-Current Assets			
Property, Plant and equipment	9	27,765	58,271
Total Non-Current Assets		27,765	58,271
Current Assets			
Trade and other receivables	10	2,695	1,559
Cash and cash equivalents	11	2,314,967	528,760
Total Current Assets		2,317,662	530,319
Total Assets		2,345,427	588,590
Equity attributable to the equity holders of the parent			
Share capital	13	1,589,318	960,785
Share premium		6,693,242	4,247,623
Reserves – warrants and options	14	773,782	521,518
Reserves - foreign currency translation		58,024	(98,505)
Accumulated loss		(7,381,303)	(5,420,157)
Total Equity		1,733,063	211,264
Current liabilities			
Trade and other payables	12	612,364	377,326
Total Liabilities		612,364	377,326
Total Equity and Liabilities		2,345,427	588,590

The financial statements were approved by the board of Directors and authorised for issue on 12 November 2010. They were signed on its behalf by:



Ben James
Director
12 November 2010

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	30 June 2010 £	30 June 2009 £
Cash flows from operating activities			
Net Loss for the year		(1,961,146)	(1,551,370)
Movement in Trade and Other Receivables		(947)	73,110
Depreciation		39,573	54,663
Movement in Trade and other Payables		194,869	149,691
Exchange difference		90,101	(12,200)
Share based payments		178,877	31,309
Receipts from IFC to acquire interest in joint venture		-	(276,320)
Net cash used in operating activities		(1,458,673)	(1,531,117)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(6,277)	-
Net cash flows used in investing activities		(6,277)	-
Cash flows from financing activities			
Proceeds from issues of shares		3,285,020	951,000
Share Issue Costs		(137,480)	(30,500)
Receipts from IFC to acquire interest in joint venture		-	276,320
Net cash flows from financing activities		3,147,540	1,196,820
Net increase/(decrease) in cash and cash equivalents		1,682,590	(334,297)
Cash and cash equivalents at beginning of the period		528,760	863,057
Exchange differences		103,617	-
Cash and cash equivalents at end of the period	11	2,314,967	528,760

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Warrants and Option Reserve £	Foreign Currency Translation Reserve £	Retained Earnings £	Total Equity £
Balance at 1 July 2008	650,785	3,637,123	490,209	(86,305)	(3,868,787)	823,025
Loss for the year					(1,551,370)	(1,551,370)
Foreign exchange translation differences				(12,200)		
Total other comprehensive loss				(12,200)		
Total comprehensive loss for the year				(12,200)	(1,551,370)	(1,563,570)
Shares issued	310,000	641,000				951,000
Share issue expenses		(30,500)				(30,500)
Share based payments			31,309			31,309
30 June 2009	960,785	4,247,623	521,518	(98,505)	(5,420,157)	211,264
Balance at 1 July 2009	960,785	4,247,623	521,518	(98,505)	(5,420,157)	211,264
Loss for the year					(1,961,146)	(1,961,146)
Foreign exchange translation differences				156,529		
Total other comprehensive income				156,529		
Total comprehensive loss for the year				156,529	(1,961,146)	(1,804,617)
Shares issued	628,533	2,656,487				3,285,020
Share issue expenses		(210,868)				(210,868)
Share based payments			252,264			252,264
30 June 2010	1,589,318	6,693,242	773,782	58,024	(7,381,303)	1,733,063

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. General Information

Baobab Resources Plc is a Company incorporated in the United Kingdom and is listed on the AIM market of the London Stock Exchange. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in Note 4 and in the Directors report. These financial statements are presented in pounds sterling which is also the currency of the primary economic environment in which the parent Company operates. The functional currency in Mozambique and Australia which is the economic environment of the trading subsidiaries is the US Dollar and Australian Dollar respectively. Foreign operations are included in accordance with the policies set out in Note 2.

2. Significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and implemented in the UK. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS. The principal accounting policies are set out below.

Going Concern

The financial statements have been prepared in accordance with the going concern basis of accounting.

The Company meets its day-to-day working capital requirements through a positive cash balance and has no borrowing facilities at present. The group has incurred losses in the year. In common with other junior mining companies, Baobab Resources is reliant on raising funds periodically through equity finance or possibly debt facilities.

The Company continues with the exploration and the development of mineral properties in Mozambique. The nature of the group's business is such that there can be considerable unpredictable variation in the timing of cash flows.

As shown in Note 13 during the year the Company raised a total of £3,285,020 by way of placements and issues of shares from exercise of warrants and options.

On the basis of the Directors' projections and current cash resources, the Directors consider that the group has adequate financial resources for going concern purposes over the forthcoming twelve months. Additionally it can draw on funds from its equity funding agreement arranged by First Columbus LLP to enable it to undertake its planned programme of exploration activities. The Directors consider it appropriate to prepare the financial statements on the going concern basis.

New and revised Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for the accounting periods beginning 1 July 2009.

The following standards have been applied by the Group from 1 July 2009:

- IAS 1 (revised) Presentation of financial statements
- IFRS 8 Operating segments
- IAS 27 Consolidated and separate financial statements
- IFRS 3 Business combinations

The adoption of these new standards had no material impact on the financial statements of the Group other than presentational and disclosure matters.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods commencing 1 July 2009 but are not applicable to the group and had no impact on these financial statements.

The Group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The Company obtains and exercises control through voting rights.

Goodwill arising on consolidation represents the excess of the cost of acquisitions over the Group's interest in the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of acquisition. Goodwill is recognised as an asset and reviewed annually, or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is recognised immediately in the Statement of Comprehensive Income.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the group. All transactions and balances between the companies in the group are eliminated on consolidation. Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated where there is no evidence of any impairment.

Critical judgments in applying accounting policies

The significant judgments made by management in applying the accounting policies during the year are included in the annual report under the captions “Going Concern” and “Exploration and Development expenditure”.

Key sources of estimation uncertainty

In the process of applying the Group’s accounting policies, management make judgements and estimates. The key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial year are as follows:

Depreciation and amortisation
Depreciation and amortisation is provided so as to write down the assets to the residual values over their estimated useful lives. The selection of these residual values and estimated lives requires the exercise of management judgement.

Share based payments
The amounts recognised in respect of share based payments has been estimated based on the fair value of the options. To estimate this fair value an option pricing model has been used. There are many variables and assumptions used as inputs into the model (which have been detailed in Note 14). If any of these assumptions or estimates were to change this could have a significant effect on the amount recognised.

Income and expenses recognition

Interest income is accrued by reference to the principal outstanding and its effective interest rate.

Operating and exploration expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin in the statement of comprehensive income as incurred.

Foreign currency translation

Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing on the dates of the transaction. At the year end, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the group's various operations are translated at exchange rates prevailing at the year end. Income and expense items are translated at the average exchange rates for the period unless exchange rates fluctuate significantly. Exchange differences arising, if any, are recorded in other comprehensive income and transferred to the group’s translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

Loan to subsidiaries are considered to be part of the group's net investment in those subsidiaries. Accordingly, translation differences in respect of such loans are recorded in other comprehensive income and transferred to the group's translation reserve. Such translation differences are recognized as income or as expenses in the period in which the operation is disposed of.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled.

The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary difference to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences. Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any recognised impairment loss.

Depreciation

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset evenly over its expected useful life. Residual values are also annually reassessed and updated. Depreciation rates used for Property, plant & Equipment are between 10 - 40%. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Exploration and evaluation expenditure

Exploration and evaluation expenditure is written off as incurred. Costs will only be carried forward to the extent that they are expected to be recouped through the successful development of the area.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure.

Joint arrangements

The group is engaged in exploration activities which are conducted jointly with other parties under contractual arrangements and, accordingly, the group only reflects its proportionate interest in such assets, liabilities, revenues and expenses.

Financial instruments

Financial assets and financial liabilities are recognised on the group's statement of financial position when the group becomes a party to the contractual provisions of the instrument.

Trade receivables and trade payables

Trade receivables and trade payables do not carry any interest and are stated at their nominal value. Trade receivables are reviewed and reduced by appropriate allowances for estimated irrecoverable amounts. These financial assets and liabilities are initially recognised at fair value net of transaction costs and subsequently at amortised cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the group becomes a party to the contractual provisions of the instrument. Financial liabilities are recorded initially at fair value, net of direct issue costs.

All financial liabilities are recorded at amortised cost using the effective interest method, with interest and related charges recognised as an expense in finance cost in the statement of comprehensive loss.

Equity instruments

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Warrants and Option reserve" represents equity-settled share-based employee remuneration until such share options are exercised and equity-settled payments to the Company’s broker as part of remuneration for assisting with share placements.
- "Foreign currency translation" represents the differences arising from translation of investments in overseas subsidiaries.

Equity settled share based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. When employees are awarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to "warrants and option reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Where equity instruments are granted to persons other than employees, these are measured at fair value and recognized over their vesting period with a corresponding increase to Warrants and Options Reserve. Upon the exercise of the award, consideration is recognized in equity.

3. Other operating income

	2010	2009
	£	£
IFC receipts to acquire interest in joint venture	-	276,320
	-	276,320

Operating income in previous year included receipts from International Finance Corporation ("IFC") which acquired a 15% interest in the Company's Tete project.

4. Operating segments

The Group has adopted IFRS 8 Operating Segments with effect from 1 July 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The group's operations relate to the exploration for, and development of mineral deposits in Mozambique with support provided from Australia & UK and as such the Group has only one segment.

Other geographical information

	2010			
	UK	Australia	Mozambique	Consolidated
	£	£	£	£
Segment revenue	-	-	-	-
Segment non current assets	-	9,283	18,482	27,765

	2009			
	UK	Australia	Mozambique	Consolidated
	£	£	£	£
Segment revenue	-	-	-	-
Segment non current assets	-	18,737	39,534	58,271

5. Loss from continuing operations before tax

	2010	**2009**
	£	**£**
This is stated after charging:		
Depreciation of property, plant and equipment	39,573	54,663
Foreign exchange differences	(3,951)	110,691
Share based payments	178,877	31,309
Audit services of the Company and consolidated accounts	27,500	25,125
Non-audit services - interim accounts	-	3,500
Non-audit services – indirect taxes	-	6,098

6. Personnel expenses

Staff costs during the year were as follows:

	2010	**2009**
	£	**£**
Wages and salaries	389,167	420,101
Share based payments	178,877	31,309
	568,044	451,410

The average number of employees of the group excluding the non-executive Directors at year end was 23 (2009: 36). Staff were engaged in either exploration, administrative or managerial duties.

The total staff costs for the year comprise of salaries and wages and contract labour costs.

Remuneration in respect of Directors was as follows:

	2010	**2009**
	£	**£**
Emoluments	233,266	242,478
Compensation for loss of office	42,626	-
	275,892	242,478

Remuneration in respect of the highest paid Director was as follows:

	2010 £	2009 £
Emoluments	111,812	110,729
	111,812	110,729

Directors' fees, wages and salaries	2010 £	2009 £
Ben James	111,812	84,416
Brett Townsend	82,080	110,729
Jonathan Beardsworth	22,333	20,000
Jeremy Dowler	41,500	24,000
Jon Crowe	18,167	-
Tony Walsh	-	3,333
	275,892	242,478

During the current financial year the Company granted Options to Directors and Officers to subscribe for a total of 4,000,000 Ordinary Shares at a price of 10p per share.

During the previous financial year the Company granted Options to certain Directors, to subscribe for a total of 2,000,000 Ordinary Shares at a price of 6.15p per share.

The Board shall have the power to cause an Option to lapse when the grantee leaves Baobab by reason of their death, disability, injury, redundancy or retirement. No monies will be paid for the Options. Each Option will entitle the holder to subscribe for one fully paid Ordinary Share.

Directors' share based payments	2010 £	2009 £
Ben James	57,103	16,457
Brett Townsend	-	4,800
Jonathan Beardsworth	32,240	-
Jeremy Dowler	48,360	-
Jon Crowe	32.240	-
	169,943	21,257

7. Income tax expense

Recognised in the income statement

The tax on operating loss at its effective rate is reconciled to the income tax provided in the financial statements as follows:

	2010 £	2009 £
Operating loss	(1,961,146)	(1,551,370)
Income tax on operating loss at 30%	(588,344)	(465,411)
Non-deductible income tax expenses	434,884	240,716
Income tax benefit not brought to account	153,460	224,695
Income tax expense	-	-

Exploration expenditure incurred by Baobab Mining Services Pty Ltd (Australia) is recognized as non-deductible expenses. The exploration expenditure for 2010 is £1,075,718 (2009: £802,388).

The Group has estimated accumulated tax losses of £3,640,353 (2009: £3,128,820). Group losses include £1,515,672 (2009: £1,246,836) relating to Baobab Resources Plc which have yet to be determined by the Australian tax authorities. The losses excluding those relating to Baobab Resources Plc represent an unrecognized deferred tax asset of £637,404 (2009: £564,595).

Deferred tax assets (unused tax losses) have not been recognised in respect of these losses because it is not sufficiently probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

8. Loss per share

	2010 £	2009 £
From continuing operations		
The calculation of the basic and diluted losses per share are based on the following data:		
Losses for the purpose of basic and dilutive earnings per share being net loss attributable to equity holders of the parent	(1,961,141)	(1,551,370)
Total number of ordinary shares in issue at the year end	158,931,836	96,078,502
Weighted average number of ordinary shares Basic	142,082,703	83,423,709
Diluted	142,082,703	83,423,709
Loss per share basic	(1.38 p)	(1.86 p)
Loss per share diluted	(1.38 p)	(1.86 p)

The options are anti-dilutive so are not included in the diluted loss per share calculation.

9. Property, plant & equipment

	2010	2009
	£	£
Cost	**Plant & Equipment**	**Plant & Equipment**
Opening balance at 1 July	181,426	179,863
Additions	6,277	-
Exchange differences	12,684	1,563
Closing balance at 30 June	200,387	181,426
Accumulated depreciation		
Opening balance at 1 July	123,155	65,843
Charge for the year	39,573	54,663
Exchange differences	9,894	2,649
Closing balance at 30 June	172,622	123,155
Carrying amounts		
Balance at 30 June	27,765	58,271

10. Trade and other receivables

	2010	2009
	£	£
Prepayments	2,695	1,559

11. Cash and cash equivalents

	2010	2009
	£	£
Cash at bank and in hand	2,314,967	528,760

12. Trade and other payables

	2010 £	2009 £
Trade creditors	275,171	253,311
Accrued expenses	96,061	44,763
Payroll taxes payable	7,948	4,411
Payroll liabilities	4,692	4,689
Superannuation payable	555	1,886
Annual leave entitlement	37,465	33,082
Unearned income	190,472	35,184
	612,364	**377,326**

There are no significant terms and conditions with respect to the above that affect the amount and timing of future cash flows.

13. Share capital

	2010 £ Number	2010 £ Nominal Value	2009 £ Number	2009 £ Nominal value
(a) Authorised Share capital				
Ordinary shares of 1p each	1,000,000,000	10,000,000	1,000,000,000	10,000,000
Redeemable shares of £1 each	50,000	50,000	50,000	50,000
	1,000,050,000	10,050,000	1,000,050,000	10,050,000

	2010 £	2010 No of Shares	2009 £	2009 No of Shares
(b) Alloted, called up and fully paid				
Ordinary shares of 1p each				
Beginning of period	5,208,408	96,078,502	4,287,908	65,078,502
Issued during the period				
Share Capital	628,533	62,853,334	310,000	31,000,000
Share premium	2,656,487		641,000	
Share issue cost	(210,868)		(30,500)	
End of financial period	8,282,560	158,931,836	5,208,408	96,078,502

Details of shares issued during the year are as follows:

	Date	Number	£
At a price of 2.0p each	29/07/2009	5,750,000	115,000
At a price of 2.5p each	14/08/2009	6,000,000	150,000
At a price of 2.5p each	24/08/2009	600,000	15,000
At a price of 2.5p each	18/09/2009	600,000	15,000
At a price of 4.1p each	18/09/2009	220,000	9,020
At a price of 6.0p each	20/10/2009	45,833,334	2,750,000
At a price of 6.0p each	2/11/2009	3,850,000	231,000
Total		62,853,334	3,285,020

(c) Terms and conditions of contributed equity

Ordinary shares
Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

For the purposes of statutory financial statement preparation, the issued and fully paid ordinary shares had been rounded upward.

Redeemable Shares
Rights attaching to the Redeemable shares are as follows:

(a) In respect of any profits which the Company determines to distribute in respect of any financial year the Redeemable Shares shall rank pari passu in all respects with the ordinary shares as to dividends;

(b) In a return of capital on liquidation or capital reduction or otherwise, the surplus assets of the Company remaining after the payment of liabilities shall be distributed amongst the holder s or the Redeemable Shares and Ordinary Shares (pari passu as if they constituted one class of share) in proportion to the number of Redeemable Shares and Ordinary Shares held by them respectively;

(c) The Redeemable Shares shall not entitle the holders thereof to receive notice of and to attend and vote (whether on a show or hands or on a poll) at any general meeting of the Company save that the consent or sanction of the holders of the Redeemable Shares shall be required for the modification of variation of the rights attached to the Redeemable Shares:

(d) Subject to the provisions of the Act, a Redeemable Share shall be redeemed 100 years from its date of issue or at any time prior thereto at the option of the Company. The holder of a Redeemable Share which is subject to redemption shall surrender to the Company on or before the date for redemption the certificate for such Redeemable Share in order that may be cancelled and upon cancellation the Company shall pay to the holder the nominal value of such Redeemable Share; and

(e) A Redeemable Share redeemed shall be cancelled and the Company shall not be entitled to re-issue the same.

(d) Capital Disclosures

The Company's objectives when managing capital are:

- to safeguard the company's ability to continue as a going concern;
- to maintain financial strength and optimal capital structure, while ensuring the company's strategic objectives are met; and
- to provide an appropriate return to shareholders relative to the risk of the company's underlying assets.

Given the nature of the Company's current activities, the entity will remain dependent on equity funding in the short to medium term until such time when its assets achieve successful transition from exploration to development stage.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Corporation's planned requirements. The Board of Directors reviews the Company's capital structure and monitors requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling and/or acquiring assets, and controlling capital expenditures programme.

14. Reserves – Warrants and options

During the financial year the Company issued a total of 4,200,000 unlisted Options to directors and employees at an exercise price of 10.0p and expiring on 30 June 2013.

A total of 2,086,167 unlisted options comprising of 2,047,667 options exercisable at 6p expiring on 27 October 2012 and 38,500 options exercisable at 6p expiring on 9 November 2012 were issued to Astaire Securities. These unlisted options were issued as part of a placement agreement.

A total of 885,000 unlisted options issued in previous years and exercisable at 10p expired on 1 February 2010 without being exercised.

The Board shall have the power to cause an Option to lapse when the grantee leaves Baobab by reason of their death, disability, injury, redundancy or retirement.

No monies will be paid for the Options. Each Option will entitle the holder to subscribe for one fully paid Ordinary Share.

Details of the number of share options and the weighted average exercise prices ("WAEP") outstanding during the year are as follows:

	2010 Number	**WAEP Pence**
Outstanding at the beginning of the year	13,018,333	7.39
Granted during the year	6,286,167	8.67
Exercised during the year	-	-
Forfeited during the year	(885,000)	10.00
Outstanding at the end of the year	18,419,500	7.70
Exercisable at the year end	18,419,500	7.70

	2009 Number	**WAEP Pence**
Outstanding at the beginning of the year	5,235,000	10.34
Granted during the year	9,333,333	6.15
Exercised during the year	-	-
Forfeited during the year	(1,550,000)	10.34
Outstanding at the end of the year	13,018,333	7.39
Exercisable at the year end	12,743,333	7.29

The share options outstanding at the end of the year have a weighted average remaining contractual life of years 2.57 years (2009 - 2.75 years) and have the following exercise prices:

Expiry date	**Exercise price Pence**	**2010 Number**
1 February 2012	10.0	1,510,000
1 February 2012	11.0	740,000
25 March 2011	11.0	275,000
25 March 2011	13.0	275,000
16 April 2012	6.15	9,333,333
27 October 2012	6.0	2,047,667
9 November 2012	6.0	38,500
30 June 2013	10.0	4,200,000
		18,419,500

Expiry date	**Exercise price Pence**	**2009 Number**
26 January 2010	10.0	885,000
1 February 2012	10.0	1,510,000
1 February 2012	11.0	740,000
25 March 2011	11.0	275,000
25 March 2011	13.0	275,000
16 April 2012	6.15	9,333,333
		13,018,333

The fair values were calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

2010

Number Granted	**Weighted Ave Share Price**	**Weighted Ave Option Value**	**Expected Volatility**	**Weighted Risk Free Rate**	**Value of Options**
4,200,000	9.00p	10p	70%	1.50%	4.03p

2009

Number Granted	**Weighted Ave Share Price**	**Weighted Ave Option Value**	**Expected Volatility**	**Weighted Risk Free Rate**	**Value of Options**
9,333,333	4.45p	6.15p	100%	1.10%	4.11p

Expected volatility was determined by calculating the historical volatility of the comparator Company's share price volatility.

The expected life used in the model has been the adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Dividend yield used in the calculations is Nil.

The Company recognised total expenses of £178,887 (2009 - £31,309) related to equity-settled share-based payment transactions during the year.

Warrants

	2010 Number	WAEP Pence
Outstanding at the beginning of the year	2,520,095	6.90
Granted during the year	-	-
Exercised during the year	(1,420,000)	2.75
Forfeited during the year	-	-
Outstanding at the end of the year	1,100,095	12.17
Exercisable at the year end	1,100,095	12.17

	2009 Number	WAEP Pence
Outstanding at the beginning of the year	12,100,095	14.74
Granted during the year	1,420,000	2.75
Exercised during the year	-	-
Forfeited during the year	(11,000,000)	15.00
Outstanding at the end of the year	2,520,095	6.90
Exercisable at the year end	2,520,095	6.90

The Company issued 1,420,000 warrants in the 2009 financial year to Fox-Davies Capital Limited. This comprised of 1,200,000 warrants exercisable at 2.5p, expiring 27 November 2011 and 220,000 warrants exercisable at 4.1p, expiring 27 November 2011.
These 1,420,000 warrants were exercised during the year raising £39,020.

The balance of warrants on issue at 30 June 2010 include 488,195 warrants exercisable at 13p, expiring 30 October 2010, 460,040 warrants exercisable at 11.5p, expiring 13 December 2010 and 151,860 warrants exercisable at 11.5p, expiring 24 January 2011.

15. Contingent liabilities

There are no contingent liabilities.

16. Events after the balance sheet date

Subsequent to year end the Company entered into the following agreements.

Joint Venture Heads of Agreement

The Company's wholly owned subsidiary Capitol Resources Limitada has signed a Joint Venture Heads of Agreement with Southern Iron Limted in respect to the Company's Changara project.

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 November 2010.

Equity Line Facility

The Company has secured a three year Equity Line Facility ("ELF") of up to £5 million with Dutchess Opportunity Cayman Fund Ltd ("Dutchess"). The ELF has been arranged by First Columbus LLP ("First Columbus"), Dutchess's joint venture partner in the UK.

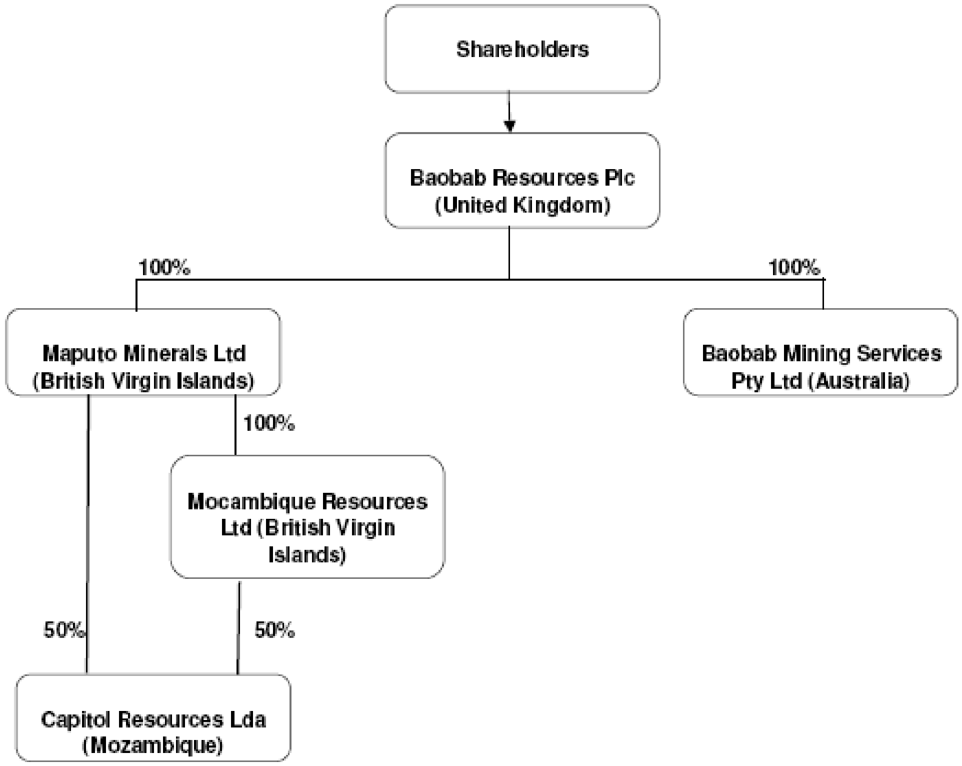
The ELF offers Baobab ongoing access to capital as it enables the Company to obtain funding from Dutchess at any time during the next three years by way of subscription for new ordinary shares in the Company. Subscriptions will be priced at a 6 per cent discount to the market price and will take place at timings and intervals and in sizes determined by the Company.

The ELF may be drawn down in tranches linked to Baobab's average daily trading volume in the three days prior to the notice of draw down or in other specified amounts. The Company is able to specify a minimum acceptable price for each tranche to prevent shares being sold in the market at an unacceptable discount.

In consideration for the ELF, Baobab has agreed to pay First Columbus LLP a Commitment Fee through the issue of 666,667 shares in the Company ("Fee Shares") and to issue Dutchess and First Columbus LLP 444,444 warrants in aggregate with an exercise price of 16.88 pence, being a 50 per cent premium to the Company's middle market closing price on 20 October 2010.

17. Subsidiaries

The Baobab Group Structure is illustrated below:



18. Related parties

a) Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

b) Transactions with related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the financial year IFC ("International Finance Corporation") in relation to the Joint Venture agreement with the Company contributed on a pro-rata basis £467,774, being its share of the annual exploration budget for the Tete project. Of this amount, £277,302 has been spent on exploration expenditure up to 30 June 2010.

Consultancy fees and expense reimbursements of £18,167 (2009 - £24,991) were paid to Millridge Holdings Pty Ltd a Company associated with a Director, Jon Crowe. Accounting and company secretarial fees of £60,780 (2009: £47,997) were paid to GDA Corporate Pty Ltd a Company associated with Mr Graham Anderson during the financial year.

Related party transactions were on terms throughout the year which are equivalent to those that prevail in arm's length transactions.

19. Financial instruments

a) Financial risk management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The existence of these financial instruments exposes the Group to a number of financial risks, however to date the group has not been exposed to any significant risks for which the Directors have had to use hedging or other financial risk minimizing transactions.

b) Financial instruments

i. Interest rate risk

The Group had no corporate borrowings during the year and as such there was no interest rate risk in relation to borrowings. The Group retains surplus cash balances on short term deposits with rates fixed over those terms (between 1 month and 3 months).

The following sensitivity analysis is based on the interest rate risk exposure in existence at the balance sheet date. If interest rates had moved, as illustrated in the table below, with all other variables held constant, the interest income earned by the Group would have been affected as follows:

Interest Rate Risk	**2010**	**2009**
Judgments reasonable possible	**£**	**£**
Interest Income - Higher/(Lower)		
(+ 1%)	23,150	5,288
(- 1%)	(23,150)	(5,288)

The group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities are as follows:

Weighted Average	**Effective Interest Rate 2010**	**Floating Interest Rate 2010 £**	**Non-Interest Bearing 2010 £**	**Total 2010 £**
Financial Assets				
Cash and cash equivalents	5%	2,314,967	-	2,314,967
Total Financial Assets		2,314,967	-	2,314,967
Liabilities				
Trade and other payables	Nil	-	421,891	421,891
Total Financial Liabilities		-	421,891	421,891

	Weighted Average Effective Interest Rate 2009	**Floating Interest Rate 2009 £**	**Non-Interest Bearing 2009 £**	**Total 2009 £**
Financial Assets				
Cash and cash equivalents	3.0%	528,760	-	528,760
Total Financial Assets		528,760	-	528,760
Liabilities				
Trade and other payables	Nil	-	342,143	342,143
Total Financial Liabilities		-	341,143	342,143

There are no significant terms and conditions with respect to the above that affect the amount and timing of future cash flows.

All financial liabilities are measured at amortised cost. All financial assets are categorized as loans and receivables.

There is no significant amounts of cash held on term deposit by the Group.

ii. Currency risk

The following sensitivity analysis is based on the currency risk exposure in existence at the balance sheet date. If currency had moved, as illustrated in the table below, with all other variables held constant, the effect on loss for the year and equity of the Group would be as follows:

Currency Risk	**2010**	**2009**
Judgments reasonable possible	**£**	**£**
Currency Conversion - Higher/(Lower)		
(+ 10%)	(317,991)	(171,265)
(- 10%)	290,578	171,265

Currency risk is the risk that arises from the change in price of one currency against another. The Group is exposed to currency risk as its reporting currency is in British Pounds and a proportion of its assets and liabilities are denomitated in US Dollars, Australian Dollars and Mozambique Meticals.

iii. Liquidity risk

The Group's practice is to regularly review cash needs including those of its subsidiaries and to place excess funds on fixed term deposits for periods not exceeding three months with an institution that is of high credit rating.

The Group manages liquidity risk by control of expenses and periodic raising of additional equity. The Group has sufficient funds to continue operations for the forthcoming year.

iv. Credit risk

The Group is exposed to credit risk on the financial institution with which it holds cash and short-term deposits, all of which were held with reputable banks. Maximum exposure would be the amounts shown in the balance sheet.

v. Net fair values

The net fair values of financial assets and financial liabilities approximate their carrying value.

20. Key management personnel disclosures

a) Directors

The following persons were Directors of Baobab Resources plc during the financial year:

Jeremy Dowler
Brett Townsend (resigned 8 December 2009)
Jonathan Beardsworth
Ben James
Jon Crowe (appointed 17 September 2009)

b) Other key management personnel

The following persons were the executives of the Company with the greatest authority for the strategic direction and management of the Group during the financial year:

Ben James – Managing Director
Brett Townsend (resigned 8 December 2009)
Graham Anderson - Chief Financial Officer (appointed 1 January 2009)

c) Key management personnel compensation

	2010 £	2009 £
Short term employee benefits	336,230	306,282

In addition, Directors, senior management and staff received share based payments amounting to £169,260. (2009 - £31,309).

d) Equity instrument disclosures relating to key management personnel

i. Shareholdings

The number of shares in the Company held during the financial year by each Director of Baobab Resources plc and other key management personnel of the group, are set out below.

	2010		
	Balance at start of year	**Changes during the year**	**Balance at end of year**
Directors			
Jeremy Dowler	7,240,169	650,000	7,890,169
Ben James	114,500	-	114,500
Jonathon Beardsworth	-	-	-
Jon Crowe	8,690,000	-	8,690,000

Other key Management Personnel

	2010		
	Balance at start of year	**Changes during the year**	**Balance at end of year**
Graham Anderson	-	-	-

e) Loans to key management personnel

There were no loans to key management personnel.

COMPANY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Company Year ended 30 June 2010 £	Company Year ended 30 June 2009 £
Other operating income		-	34
Administrative expenses		(3,308,860)	(965,593)
Loss from operations before tax		(3,308,860)	(965,559)
Income tax expense	2	-	-
Loss and comprehensive loss for the year attributable to equity holders of the parent		(3,308,860)	(965,559)

COMPANY STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2010

	Note	Company Year ended 30 June 2010 £	Company Year ended 30 June 2009 £
Non-Current Assets			
Investment in subsidiaries	4	3	3
Total Non-Current Assets		3	3
Current Assets			
Cash and cash equivalents		2,793	3,608
Total Current Assets		2,793	3,611
Total Assets		2,796	3,611
Equity			
Share capital	6	1,589,318	960,785
Share premium		6,693,243	4,247,623
Reserves – warrants and options	7	773,782	521,518
Accumulated loss		(9,074,437)	(5,765,577)
Total Equity		(18,094)	(35,651)
Current Liabilities			
Trade and other payables	5	20,890	39,262
Total Equity and Liabilities		2,796	3,611

The financial statements were approved by the board of Directors and authorised for issue on 12 November 2010. They were signed on its behalf by:

Ben James
Director

12 November 2010

COMPANY CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Year ended 30 June 2010 £	Year ended 30 June 2009 £
Net cash generated (used) / from operating activities	8	(308,881)	(245,524)
Cash flows from financing activities			
Share issue costs		(137,480)	(30,500)
Proceeds from share issues		3,285,020	951,000
Loans to subsidiaries		(2,839,474)	(677,897)
Net cash flows from financing activities		308,066	242,603
Net (decrease) / increase in cash and cash equivalents		(815)	(2,921)
Cash and cash equivalents at beginning of the period		3,608	6,529
Cash and cash equivalents at end of the period		2,793	3,608

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010

Share	Share Capital £	Share Premium £	Warrants and Options Reserve £	Accumulated Loss £	Total Equity £
Balance at 1 July 2009	960,785	4,247,623	521,518	(5,765,577)	(35,651)
Net loss for the year				(3,308,860)	(3,308,860)
Total comprehensive loss for the period				(3,308,860)	(3,308,860)
Shares issued	628,533	2,656,487			3,285,020
Share issue expenses		(210,867)			(210,867)
Share based payments	-	-	252,264		252,264
30-Jun-10	1,589,318	6,693,243	773,782	(9,074,437)	(18,094)

	Share Capital £	Share Premium £	Warrants and Options Reserve £	Accumulated Loss £	Total Equity £
Balance at 1 July 2008	650,785	3,637,123	490,209	(4,800,018)	(21,901)
Net loss for the year				(965,559)	(965,559)
Total comprehensive loss for the year				(965,559)	(965,559)
Shares issued	310,000	641,000			951,000
Share issue expenses		(30,500)			(30,500)
Share based payments			31,309		31,309
30-Jun-09	960,785	4,247,623	521,518	(5,765,577)	(35,651)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1. Significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are:

Basis of Accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations as issued by the International Accounting Standards Board ("IASB") as adopted by the European Union and implemented in the UK. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to those companies reporting under IFRS. The principal accounting policies are set out below.

The significant judgments made by management in applying the accounting policies during the year are included in the annual report under the captions "Going Concern" and "Exploration and Development expenditure".

Key sources of estimation uncertainty

In the process of applying the Company's accounting policies, management make judgements and estimates. The key assumption concerning the future, and other sources of estimation uncertainty at the balance sheet date, that has a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the financial year is as follows:

Share based payments
The amounts recognised in respect of share based payments has been estimated based on the fair value of the options. To estimate this fair value an option pricing model has been used. There are many variables and assumptions used as inputs into the model (which have detailed in Note 14 of the consolidated financial statements). If any of these assumptions or estimates were to change this could have a significant effect on the amount recognised.

Income and expenses recognition

Interest income is accrued by reference to the principal outstanding and its effective interest rate.

Operating and exploration expenses are recognised in the statement of comprehensive income upon utilisation of the service or at the date of their origin in the statement of comprehensive income as incurred.

Equity settled share based payments

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. When employees are awarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example, profitability and sales growth targets).

All equity-settled share-based payments are ultimately recognised as an expense in the statement of comprehensive income with a corresponding credit to "warrants and option reserve".

If vesting periods or other non-market vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest.

Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting. Upon exercise of share options the proceeds received net of attributable transaction costs are credited to share capital, and where appropriate share premium.

Where equity instruments are granted to persons other than employees, these are measured at fair value and recognized over their vesting period with a corresponding increase to Warrants and Options Reserve. Upon the exercise of the award, consideration is recognized in equity.

2. Income tax expense

The tax on operating loss at its effective rate is reconciled to the income tax provided in the financial statements as follows:

	2010 £	2009 £
Operating loss	(3,308,860)	(965,559)
Income tax on operating loss at 30%	(992,658)	(289,668)
Non-deductible income tax expenses	913,931	238,871
Income tax benefit not brought to account	78,727	50,797
Income tax expense	-	-

The tax losses relating to the company have yet to be determined by the Australian tax authorities. No deferred tax asset has been recognized in the financial statements.

3. Inter-company Loans

	2010 £	2009 £
Loans to subsidiaries	7,358,215	4,518,741
Provision for write down - loans to Subsidiaries	(7,358,215)	(4,518,741)
	-	-

These loans are interest free and repayment of the loans is neither planned nor likely in the foreseeable future.

4. Investment in subsidiaries

	2010 £	2009 £
Shares	3	3
	3	3

Details of the Company's subsidiaries at 30 June 2010 are as follows:

Name of subsidiary	Place of Incorporation	Ownership Interest	Voting Power
Maputo Minerals Limited	British Virgin Islands	100%	100%
Mocambique Resources Limited	British Virgin Islands	100%	100%
Capitol Resources Lta	Mozambique	100%	100%
Baobab Mining Services Pty Ltd	Australia	100%	100%

The subsidiaries were acquired as shell companies with no net assets or any goodwill on acquisition. The amounts paid represent the shares issued to the Company.

5. Trade and other payables

	2010 £	2009 £
Trade creditors	20,890	28,433
	20,890	28,433

6. Share capital

The movements in share capital are disclosed in Note 13 to the consolidated financial statements.

7. Reserves – Warrants and options

Reserves – warrants and options are disclosed in Note 14 to the consolidated financial statements.

8. Notes to the Cash Flow Statement

	2010 £	2009 £
Net Loss for the period	(3,308,860)	(965,559)
Adjustments for:		
Provision for loans to subsidiaries	2,839,474	677,896
Share based payments	178,877	31,309
Operating cash flows before movements in working capital	(290,509)	(256,354)
(Decrease)/Increase in payables	(18,372)	10,830
Net cash outflow from operating activities	(308,881)	(245,524)

9. Financial instruments

The financial risk management disclosures for the Company are covered in note 19 to the Group financial statements

Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and liabilities are as follows:

Weighted Average	**Effective Interest Rate 2010**	**Floating Interest Rate 2010 £**	**Non-Interest Bearing 2010 £**	**Total 2010 £**
Financial Assets				
Cash and cash equivalents	2.5%	2,793	-	2,793
Total Financial Assets		2,793	-	2,793
Liabilities				
Trade and other payables	Nil	-	20,891	20,891
Total Financial Liabilities		-	20,891	20,891

	Weighted Average Effective Interest Rate 2009	Floating Interest Rate 2009 £	Non-Interest Bearing 2009 £	Total 2009 £
Financial Assets				
Cash and cash equivalents	1%	3,608	-	3,608
Total Financial Assets		3,608	-	3,608
Liabilities				
Trade and other payables	Nil	-	39,263	39,263
Total Financial Liabilities		-	39,263	39,263

There are no significant terms and conditions with respect to the above that affect the amount and timing of future cash flows.

All financial liabilities are measured at amortised cost. All financial assets are categorized as loans and receivables.

There are no significant risks relating to the Company's financial instruments

10. Related parties

a) Key management personnel

Disclosures relating to key management personnel are set out in Note 11.

b) Transactions with related parties

The Company provides interest free loans to its subsidiaries on a continual basis to fulfill operational and exploration commitments engaged during the financial year. Loan transactions between the parent entity and subsidiaries for the 30 June 2010 financial year amounted to £2,839,474 (2009 - £677,896). The loans are expensed directly to the income statement.

Consultancy fees and expense reimbursements of £18,167 (2009 - £24,991) were paid to Millridge Holdings Pty Ltd a Company associated with Mr Alexander Irwin Crowe.

11. Key management personnel disclosures

a) Directors

The following persons were Directors of Baobab Resources plc during the financial year:

Jeremy Dowler
Brett Townsend (resigned 8 December 2009)
Jonathan Beardsworth
Ben James
Jon Crowe (appointed 17 September 2009)

b) Other key management personnel

The following persons were the executives of the Company with the greatest authority for the strategic direction and management of the Company during the financial year:

Brett Townsend – Managing Director (resigned 8 December 2009)
Ben James – Managing Director
Jon Crowe – Non Executive Director (appointed 17 September 2009)
Graham Anderson - Chief Financial Officer

c) Key management personnel compensation

	2010 £	2009 £
Directors' remuneration	82,000	44,000

In addition, Directors and staff received share based payments amounting to £169,260 (2009 - £31,309).

d) Loans to key management personnel

There were no loans to key management personnel.

13. Events after the balance sheet date

Subsequent to year end the Company entered into the following agreements.

Joint Venture Heads of Agreement

The Company's wholly owned subsidiary Capitol Resources Limitada has signed a Joint Venture Heads of Agreement with Southern Iron Limted in respect to the Company's Changara project.

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 November 2010.

Equity Line Facility

The Company has secured a three year Equity Line Facility ("ELF") of up to £5 million with Dutchess Opportunity Cayman Fund Ltd ("Dutchess"). The ELF has been arranged by First Columbus LLP ("First Columbus"), Dutchess's joint venture partner in the UK.

The ELF offers Baobab ongoing access to capital as it enables the Company to obtain funding from Dutchess at any time during the next three years by way of subscription for new ordinary shares in the Company. Subscriptions will be priced at a 6 per cent discount to the market price and will take place at timings and intervals and in sizes determined by the Company.

The ELF may be drawn down in tranches linked to Baobab's average daily trading volume in the three days prior to the notice of draw down or in other specified amounts. The Company is able to specify a minimum acceptable price for each tranche to prevent shares being sold in the market at an unacceptable discount.

In consideration for the ELF, Baobab has agreed to pay First Columbus LLP a Commitment Fee through the issue of 666,667 shares in the Company ("Fee Shares") and to issue Dutchess and First Columbus LLP 444,444 warrants in aggregate with an exercise price of 16.88 pence, being a 50 per cent premium to the Company's middle market closing price on 20 October 2010.