

BAOBAB RESOURCES PLC

STRATEGIC INVESTMENT AT A PREMIUM TO MARKET FROM MAJOR SHAREHOLDER

11 October 2013



Baobab Resources plc ('Baobab' or the 'Company'), is pleased to announce a capital raising at a 15.4% premium to its closing share price on 10 October 2013.

The Company and African Minerals Exploration & Development SICAR SCA ('the Fund'), executed a Placement Agreement, which can potentially fund the Company's full requirement to completion of the Definitive Feasibility work programme. The Fund currently holds 26.73% of the Company's voting rights through wholly owned Redbird Investments Ltd. ('Redbird').

PLACEMENT AGREEMENT SUMMARY

- Redbird to subscribe immediately for 5,000,000 ordinary shares of 1 pence each ('Ordinary Shares') in the Company (the 'Placing Shares') at a price of 15 pence, raising £750,000 before expenses (the 'Placing'), and increasing its relevant interest in the Company to 26.8% of the Company's total voting rights.
- Redbird to be granted one option to subscribe for an additional share at an exercise price of 20 pence for each Placing Share, expiring at 5.00pm on 30 June 2016 (the 'Placing Options'). On the discretionary exercising of the Placing Options, a further £1,000,000 will be raised.
- The Company will conditionally place with Redbird, subject to shareholder and regulatory approval, a further 8,500,000 Ordinary Shares in the Company (the 'Conditional Placing Shares') at a price of 15 pence per share to raise a further £1,275,000 before expenses (the 'Conditional Placing').
- Redbird will, subject to shareholder and regulatory approval, also be granted one option to subscribe for an additional share at an exercise price of 20 pence for each Conditional Placing Share, expiring at 5.00pm on 30 June 2016 (the 'Conditional Placing Options'). On the discretionary exercising of the Conditional Placing Options, a further £1,700,000 will be raised.
- Redbird will, subject to shareholder and regulatory approval, also be granted a conditional placement of options to subscribe of up to 27,000,000 Ordinary Shares (the 'Third Tranche Options') at an exercise price per Ordinary Share equal to 105% of the volume – weighted average price for the five consecutive trading days immediately prior to the date of exercise. The Third Tranche Options are exercisable in whole or in part multiples of 500,000 from the date of issue until 5.00pm on the first anniversary of the issue of the Third Tranche Options.
- Through the Placement Agreement, Redbird has the potential, subject to shareholder and regulatory approval, to increase its total holding in the voting rights of the Company to 37.85%
- Under the terms of the Placement Agreement, the General Partner of the Fund will charge the Company a transaction fee equal to 5% of the funds raised (the 'Transaction Fee') resulting from the Placing and, when completed, the Conditional Placing.

Commenting today, Jeremy Dowler, Baobab's Chairman, said: *"The Company is very pleased to receive such a firm show of support from its principal shareholder in what is a challenging market. Not only is the placing at a significant 15% premium, but also signals the Fund's strong belief in the Company's immediate and longer term prospects.*

'The first tranches of funding enable Baobab to accelerate key components of the bankable feasibility study this year, which will address and mitigate areas of perceived risk and optimise flow sheets. Looking forward, the proposed structure will also provide a mechanism to underwrite the remaining work programme, ensuring a premium to any future transactions. Baobab's board of directors therefore unanimously recommend the terms of the placement to shareholders.'

Commenting today, Carlo Baravalle, one of the Managing Partners of the Fund, said: "We are very pleased to continue supporting Baobab and we believe the Company has a huge potential to create significant value for shareholders and become a key industrial player in the growing Mozambique economy".

PLACEMENT AGREEMENT WITH REDBIRD

The Company has entered into an Placement Agreement with Redbird for the Placing Shares, and application will be made to the London Stock Exchange plc for the Placing Shares to be admitted to trading on AIM. It is expected that Admission will become effective and that trading will commence on [16] October 2013. These shares will rank pari passu in all respects with the existing issued Ordinary Shares in the Company. The total issued share capital of Baobab following the allotment of the Placing Shares will be 306,838,426 Ordinary Shares and Redbird will have a relevant interest representing 27.93% of the Company's total voting rights.

Under Rule 9 of the UK Takeover Code ('Rule 9'), where any person acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Takeover Code) in shares which (taken together with shares in which he is already interested and in which persons acting in concert with him are interested) carry 30% or more of the voting rights of a company that is subject to the Takeover Code, that person is normally required by the Panel to make a general offer to all the remaining shareholders to acquire their shares. The issue of the Conditional Placing Shares along with the subsequent exercise of the Conditional Placing Options is expected to result in Redbird being interested in more than 30% of the voting rights of the Company and therefore will be subject to the Takeover Panel agreeing to waive the obligation of Redbird to make a general offer that would otherwise arise as a result of the issue of the Conditional Placing Shares along with the subsequent exercise of the Conditional Placing Options, subject to the approval of Independent Shareholders on a poll. A circular, along with details of a General Meeting, will be sent to the Company's shareholders in due course to seek their approval for the proposed Rule 9 waiver.

Redbird is currently a substantial shareholder in the Company. Therefore the Placing and Placing Options, the entering into of the Conditional Placing and Conditional Placing Options, and the Transaction Fee constitute a related party transaction under AIM Rule 13 for Companies. The Directors of the Company (excluding David Twist and Carlo Baravalle who are nominees of the Fund) consider, after consultation with the Company's Nominated Adviser, that the terms of the Redbird Proposal are fair and reasonable insofar as its shareholders are concerned.

Funds raised will be used by the Company primarily for the Definitive Feasibility Study of its Tete Iron Project including:

- pilot plant metallurgical testwork on a 15 tonne bulk sample;
- a limited 3,000 metre drilling program with the objective to bring resources to measured status which will support the first 25 years mine life of the project;
- completion of environmental studies and moving to signature of MOU's for power, rail and port allocation; and
- performing a detailed study on the power generation options available to the Tete Iron Ore Project and the long term supply solutions.

CONTACT DETAILS

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