BAOBAB RESOURCES

TETE STEEL PROJECT
Establishing Mozambique’s Steel Industry
May 2016
OVERVIEW
FIRST MOVER ADVANTAGE IN MOZAMBIQUE

YEARS IN MOZAMBIQUE: 10

COMPANY STATUS: Private (delisted in May 2015 after 8 years on AIM)

SHAREHOLDING: 91% Africa Mineral Exploration & Development fund (AMED)

INVESTMENT QUANTUM: c.US$60m in Mozambique to date

LOCAL REPRESENTATION: Capitol Resources Lda | Capitol Iron & Steel Lda

OFFICES: Maputo - corporate | Tete – technical

FLAGSHIP ASSET: Tete Iron & Steel Project

ASSET OWNERSHIP: Baobab 87% | IFC 13%

RESOURCE INVENTORY: 759Mt @ 34% Fe (JORC: 156Mt Measured | 167Mt Indicated | 436Mt Inferred)

SECURITY OF TENURE: 25 year Mining Concession awarded

WITH STRATEGIC ACCESS TO CAPTIVE IRON ORE, LOW COST COAL AND ABUNDANT WATER RESOURCES, BAOBAB IS COMPLETING A BANKABLE FEASIBILITY STUDY TO DEMONSTRATE THE COMMERCIAL VIABILITY OF A 500ktpa INTEGRATED MINING AND STEEL MAKING OPERATION.
Mozambique is experiencing rapid growth across all sectors, particularly:

- Oil & Gas
- Mineral Resources
- Infrastructure
- Power Generation
- Urbanisation

Baobab’s project is located in the emerging mining, logistics and industrial hub of Tete and is strategically positioned to support national and regional development.

7% Real Growth Rate
Top 10 Fastest Developing Countries in Africa
Stable Multi-Party Democracy
Significant Inward Investment from Asia
Baobab’s Tete Project is centrally located in a region with rapidly growing GDP and steel demand.

Excellent transport links into Zambia, Zimbabwe and Northern Mozambique, allows Baobab to target key markets which are currently relying on expensive imported steel.

Located in the Mozambique coal belt and with access to its own iron ore mine, the Tete project is able to leverage locally available raw materials to generate a low cost product.
TETE STEEL PROJECT
STRONG GROWTH DRIVERS IN MOZAMBIQUE & NEIGHBOURING COUNTRIES

COPPERBELT
Zambia | DRC
- Development of NW Rail to Lobito in Angola
- Kolwezi-Angola route offers another option for copper exports out of the DRC
- Power projects (Maamba, ITPC, CEC)

WALVIS BAY: SADC GATEWAY
- Positioning itself as gateway for Zimbabwe, Botswana and the Copperbelt;
- Already seeing consumer goods from Brazil and EU routed from Walvis to Katanga, rather than supplied via SA;
- “Namgola” already supplied via this route

GAS BELT
Northern Mozambique | Tanzania
- Significant LNG development from Lindi to Pemba – already seeing local companies looking at integrated operations
- World class graphite deposits straddle the border – also manganese and uranium potential
- Iron ore and power potential in both countries
- Possible links to Malawi

COAL BELT
Mozambique | Zimbabwe | Botswana
- Northern RSA and Botswana through Zimbabwe and Tete – possibly Malawi and Southern Tanzania;
- Nacala Corridor is developing into Harare-Tete-Malawi-Nacala integrated zone already
- Iron ore and steel potential in both Tete and Southern Tanzania
- Opening up Harare-Tete corridor as well as Tete-Zim-Zambia
  — Potential to secure copper exports from the Copperbelt
- Power projects including Morupule and Mmobula in Botswana and Mphanda N’Kuwa, Ncondezi, Vale and Jindal in Mozambique.

Strategic Position
There are four major growth regions in Southern Africa which will drive demand for steel through urbanisation, natural resource and infrastructure development. Baobab’s target market will cover three out of these four regions.

Source: SA International Steel Fabricators (ISF); Build Environment Professions Export Council (BEPEC)
# REGIONAL STEEL DEMAND FORECAST (000 TONNES)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Angola</td>
<td>984</td>
<td>944</td>
<td>632</td>
<td>786</td>
<td>1,038</td>
<td>1,018</td>
<td>1,119</td>
<td>1,175</td>
<td>1,276</td>
<td>1,356</td>
<td>1,436</td>
<td>1,514</td>
<td>1,591</td>
<td>1,672</td>
<td>1,757</td>
<td>1,847</td>
<td>1,941</td>
<td>2,040</td>
</tr>
<tr>
<td>DRC</td>
<td>135</td>
<td>135</td>
<td>136</td>
<td>146</td>
<td>200</td>
<td>119</td>
<td>131</td>
<td>137</td>
<td>149</td>
<td>159</td>
<td>168</td>
<td>177</td>
<td>186</td>
<td>195</td>
<td>205</td>
<td>216</td>
<td>227</td>
<td>238</td>
</tr>
<tr>
<td>Kenya</td>
<td>617</td>
<td>832</td>
<td>1,218</td>
<td>960</td>
<td>1,316</td>
<td>1,446</td>
<td>1,519</td>
<td>1,649</td>
<td>1,753</td>
<td>1,857</td>
<td>1,957</td>
<td>2,057</td>
<td>2,161</td>
<td>2,272</td>
<td>2,388</td>
<td>2,509</td>
<td>2,637</td>
<td></td>
</tr>
<tr>
<td>Madagascar</td>
<td>166</td>
<td>82</td>
<td>71</td>
<td>81</td>
<td>83</td>
<td>96</td>
<td>106</td>
<td>111</td>
<td>120</td>
<td>128</td>
<td>135</td>
<td>143</td>
<td>150</td>
<td>158</td>
<td>166</td>
<td>174</td>
<td>183</td>
<td>192</td>
</tr>
<tr>
<td>Mozambique</td>
<td>148</td>
<td>170</td>
<td>187</td>
<td>194</td>
<td>269</td>
<td>358</td>
<td>393</td>
<td>449</td>
<td>477</td>
<td>505</td>
<td>532</td>
<td>559</td>
<td>588</td>
<td>618</td>
<td>650</td>
<td>683</td>
<td>717</td>
<td></td>
</tr>
<tr>
<td>South Africa</td>
<td>6,126</td>
<td>4,456</td>
<td>5,001</td>
<td>5,332</td>
<td>5,266</td>
<td>5,676</td>
<td>6,238</td>
<td>6,550</td>
<td>7,113</td>
<td>7,561</td>
<td>8,007</td>
<td>8,440</td>
<td>8,870</td>
<td>9,323</td>
<td>9,798</td>
<td>10,298</td>
<td>10,823</td>
<td>11,375</td>
</tr>
<tr>
<td>Tanzania</td>
<td>252</td>
<td>320</td>
<td>331</td>
<td>441</td>
<td>410</td>
<td>725</td>
<td>797</td>
<td>837</td>
<td>909</td>
<td>966</td>
<td>1,023</td>
<td>1,078</td>
<td>1,133</td>
<td>1,191</td>
<td>1,252</td>
<td>1,315</td>
<td>1,382</td>
<td>1,453</td>
</tr>
<tr>
<td>Uganda</td>
<td>112</td>
<td>114</td>
<td>188</td>
<td>152</td>
<td>73</td>
<td>123</td>
<td>135</td>
<td>142</td>
<td>154</td>
<td>164</td>
<td>174</td>
<td>183</td>
<td>192</td>
<td>202</td>
<td>212</td>
<td>223</td>
<td>235</td>
<td>246</td>
</tr>
<tr>
<td>Zambia</td>
<td>123</td>
<td>110</td>
<td>116</td>
<td>168</td>
<td>148</td>
<td>195</td>
<td>214</td>
<td>225</td>
<td>244</td>
<td>260</td>
<td>275</td>
<td>290</td>
<td>305</td>
<td>320</td>
<td>337</td>
<td>354</td>
<td>372</td>
<td>391</td>
</tr>
<tr>
<td>Zimbabwe</td>
<td>39</td>
<td>42</td>
<td>74</td>
<td>106</td>
<td>112</td>
<td>118</td>
<td>130</td>
<td>136</td>
<td>148</td>
<td>157</td>
<td>166</td>
<td>175</td>
<td>184</td>
<td>194</td>
<td>204</td>
<td>214</td>
<td>225</td>
<td>236</td>
</tr>
<tr>
<td>Total: All steel products</td>
<td>8,702</td>
<td>7,205</td>
<td>7,544</td>
<td>8,624</td>
<td>8,559</td>
<td>9,744</td>
<td>10,709</td>
<td>11,244</td>
<td>12,211</td>
<td>12,980</td>
<td>13,746</td>
<td>14,489</td>
<td>15,227</td>
<td>16,004</td>
<td>16,820</td>
<td>17,678</td>
<td>18,580</td>
<td>19,527</td>
</tr>
<tr>
<td>Total: Long steel products</td>
<td>5,654</td>
<td>5,090</td>
<td>5,037</td>
<td>5,595</td>
<td>5,517</td>
<td>6,353</td>
<td>6,961</td>
<td>7,309</td>
<td>7,937</td>
<td>8,437</td>
<td>8,936</td>
<td>9,418</td>
<td>9,898</td>
<td>10,403</td>
<td>10,933</td>
<td>11,491</td>
<td>12,077</td>
<td>12,693</td>
</tr>
</tbody>
</table>

Source: World Steel Organisation

MOZAMBIQUE IS EXPECTED TO SEE A CAGR FOR STEEL OF MORE THAN 6% PER ANNUM IN THE PERIOD UNTIL BAOBAB’ S PROJECT REACHES STEADY STATE PRODUCTION IN 2021 AND THE SADC REGION AS A WHOLE A CAGR OF 5.5% FOR THE SAME PERIOD.
TETE STEEL PROJECT
SOLE PRODUCER IN AN AREA OF EXPONENTIAL STEEL DEMAND GROWTH

- Demand for steel in Mozambique and the region is experiencing strong growth on the back of rapid industrialisation, commissioning of large scale infrastructure projects and ongoing urbanisation.

- Nearly all steel is currently imported into Mozambique and surrounding target markets (Zimbabwe, Zambia, DRC, Malawi, Tanzania), with price and availability a major barrier to consumption.

- Conservative estimates expect Mozambique steel demand alone to reach 700,000 tonnes per annum by 2025.

- Significant growth potential, as demonstrated by national per capita steel consumption statistics.

- Tete project strategically located to service interior, landlocked markets (Zambia, Malawi, DRC, etc) where supply is unable to meet demand.

- All production is expected to be absorbed by national and regional demand.
Baobab’s steel plant will be built adjacent to its low cost open pit iron ore mine c.50km from the plant, connected by a new haul road, Vale and ICVL are currently stock-piling all of their thermal coal production, providing the Tete Project with a key input for its DRI process as well as the potential to develop cheap captive power capacity. A dolomite resource has also been discovered within Baobab’s mining concession and the Revuboe River provides all the water that the project needs.
PROJECT UPDATE: BANKABLE FEASIBILITY STUDY
EARLY EPC ENGAGEMENT TO BRING FORWARD TIMELINES

KEY FOCUS AREAS
1. Mineral resources
2. Beneficiation, iron and steel making technology
3. Power solutions
4. Marketing and off-take
5. Strategic / industrial partner search
6. Industrial Free Zone application
7. Environmental licencing and community development

KEY TECHNICAL PARTNERS
Iron & Steel Making Partner: Metallurgical Corporation of China (MCC)
Metallurgy & Process Consultant: Hatch Goba
Resources & Mining Consultant: SRK
Power Services Partner: ABB

A PROCESS GUARANTEE FROM A CHINESE EPC WILL NOT ONLY DELIVER ENHANCED PROJECT ECONOMICS THROUGH IMPROVED CAPITAL EFFICIENCIES, BUT WILL ALSO, BY WAY OF ACCESSING ASSOCIATED FINANCIAL INSTITUTIONS, SIGNIFICANTLY REDUCE THE TIME FRAME TO FINANCIAL CLOSE AND SUBSEQUENT PROJECT EXECUTION.
1. MINERAL RESOURCES
WORLD CLASS DEPOSIT UNDERPINNING PROJECT LIFE >100 YEARS

<table>
<thead>
<tr>
<th>RESOURCE BLOCK:</th>
<th>Tenge-Ruoni</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESOURCE SIZE:</td>
<td>585Mt (JORC: 156 Measured</td>
</tr>
<tr>
<td>RESOURCE GRADE:</td>
<td>36% Fe</td>
</tr>
<tr>
<td>RESERVE STATUS:</td>
<td>72.5Mt Probable Ore Reserve supporting c.35 years of operation (JORC2012), <em>to be upgraded once BFS is complete</em></td>
</tr>
<tr>
<td>DEPOSIT GEOLOGY:</td>
<td>magmatic vanadiferous titano-magnetite horizon, averaging 100m in thickness</td>
</tr>
<tr>
<td>FOOTPRINT:</td>
<td>2.5km²</td>
</tr>
</tbody>
</table>

**STRIP RATIO OF 0.2 THROUGH THE FIRST c.35 YEARS OF OPERATION WILL CONTRIBUTE TO LOWEST QUARTILE PRODUCTION COSTS.**

- Independent consultant SRK is completing pit optimisation, mine scheduling and reclassification of Resources to Reserves.
2.1 BENEFICIATION, IRON & STEEL MAKING TECHNOLOGY
TRIED & TESTED TECHNOLOGY WITH LONG COMMERCIAL APPLICATION IN AFRICA

ROM
36% Fe Head Grade

Beneficiation Process

Crushing (-3mm)

Low Intensity Magnetic Separation (LIMS)

Ti-Magnetite Concentrate
52% Fe Concentrate Grade

Carbonate Flux
(large dolomite deposit discovered c.5km of the operation within Company tenure)

Thermal Coal
(coal production within 50km of operation)

Direct Reduction Circuit

Rotary Kilns

Off-gas

Direct Reduced Iron (DRI) – Targeting >50% metallisation

Grid Power | Self-generated Thermal Power

Molten Fe/V

Vanadium Converter

Basic Oxygen Furnace

Continuous Casting Machine

Ladle Furnace

Vanadium Slag

Ferro-Vanadium Alloy

Vanadium Refinery

Rolling Mill

Billets

Rebars and Wire Rods

STEEL MAKING PROCESS

DRI, IRON & FeV MAKING PROCESS

MCC 中国中冶

ENFI 中国恩菲

CISDI
2.2 BENEFICIATION, IRON & STEEL MAKING TECHNOLOGY
UPDATE ON CHINESE PILOT SCALE TEST WORK CAMPAIGN

450t of Tenge iron ore and 50t of local Tete thermal coal (from the Vale operation) delivered to CNMC Laboratories in Shenyang for laboratory and pilot scale comminution, beneficiation, reduction and smelting test work.

PILOT SCALE COMMINUTION & BENEFICIATION RESULTS
Comminution and beneficiation test work demonstrates that high yields can be achieved at a relatively coarse crusher size fraction.

- **Comminution:** -3mm via primary crusher and HPGR
- **Magnetic separation:** Wet Low Intensity Mag Sep (LIMS) at 1,800G followed by scavenging circuit
- **Concentrate grade:** 52% Fe
- **Mass recovery:** >50%
- **Iron recovery:** 74%
- **Concentrate produced:** c.140t bulk sample

LIKE ALL MAGNETITE RESOURCES, BAOBAB’S IRON ORE FIRST NEEDS TO BE BENEFICIATED TO A CONCENTRATE BEFORE SMELTING. UNLIKE MOST MAGNETITE RESOURCES, BAOBAB ONLY NEEDS TO CRUSH TO A RELATIVELY COARSE -3MM TO GENERATE A 52% FE CONCENTRATE.
2.3 BENEFICIATION, IRON & STEEL MAKING TECHNOLOGY
UPDATE ON CHINESE PILOT SCALE TEST WORK CAMPAIGN

PILOT SCALE PRE-REDUCTION TRIALS

- Pilot pre-reduction trials utilising CNMC’s 12m rotary kiln (one of the largest of its kind in the world) has been successfully completed, clearly demonstrating that Vale coal is a suitable reducing agent for Baobab's titano-magnetite ore.
- The test work was able to achieve a steady-state operation for 3 days, with a metallisation rate of above 50% maintained (peaking at 59%).
- It is probable that a higher degree of metallization should be achievable under more optimal conditions in a commercial kiln design that takes into account the learning from the Shenyang test work.
- Hatch and ENFI conclude that the test work has satisfied 'Proof of Concept' requirements.
- c.80t of DRI produced.

‘THE SHENYANG PRE-REDUCTION TRIAL IS CONSIDERED TO BE A MAJOR STEP FORWARD IN ADDRESSING ONE OF THE MOST SERIOUS RISKS IN THE FLOWSHEET AND THE EXECUTION OF THE BAOBAB PROJECT [...] A METALLISATION RATE OF 50% IS CONSIDERED TO BE A VERY ACCEPTABLE RESULT.’

Extract from Hatch monthly report 23 April 2016
2.4 BENEFICIATION, IRON & STEEL MAKING TECHNOLOGY
UPDATE ON CHINESE PILOT SCALE TEST WORK CAMPAIGN

PILOT SCALE SMELTING TRIALS
Following the successful conclusion of the pre-reduction test work campaign, ENFI has commenced the pilot smelting trials. Two phases of test work are planned:

Laboratory (crucible) tests: The crucible tests have been performed smelting 400g DRI charges at a fixed temperature of 1600 using a muffle furnace. The objective of the test work is to map-out the reduction behaviour of vanadium in relation to the reduction of iron for different slag compositions.

Pilot smelting campaign: The conditions defined by the laboratory tests are being tested under continuous pilot plant operation with the objective to:

• Generate slag and metal for analysis and mass-balancing purposes,
• Determine functional slag and metal tapping temperatures,
• Determine furnace heat losses and estimate the smelting energy requirement,
• Evaluate the relationship between resistance set point, heat losses and bath conditions

Pilot smelting will be performed initially in a 200kVA furnace before moving on to the large-scale 1,000kVA furnace. Smelting commenced during the week of the 9th of May.

OPERATIONAL ANALOGIES
Highveld Steel and Vanadium
• Operator: EVRAZ
• Years in operation: >40
• Concentrate specs: 59% Fe, 13% TiO2, 1.5% V2O5
• Annual production: c.750,000t

New Zealand Steel (Glenbrook)
• Operator: BlueScope Steel
• Years in operation: c.40
• Concentrate specs: 59%Fe, 8% TiO2, 0.46% V2O5
• Annual production: c.1Mt
• Power Co-gen: 60% to 80% total power

Pilot Scale Trials
On-going test work has confirmed the ability to produce low impurity iron using baobab’s iron ore and local Mozambique thermal coal, which will in turn produce high quality steel products.
3. POWER SOLUTIONS
NATIONAL GRID, CAPTIVE THERMAL & CO-GENERATION

The Tete Iron & Steel project will require c.150MW of power (power demand to be finalised shortly). Although Mozambique is a net exporter of power, access to electricity is not without its challenges.

TWO POWER OPTIONS ARE BEING ASSESSED

OPTION 1: Combination of Co-generation Plant, Coal-Fired Unit (CFBC) & National Grid

- 30MW to be supplied by a co-generation plant being fuelled by cleaned off-gasses from the rotary kilns and heat-recovery from rotary kilns and Electric Arc Furnaces.
- 50MW supplied through an onsite Circular Fluidised Bed Combustion technology constructed by Thyssenkrupp with an estimate capex of US$100m.
- The balance to be supplied from the national grid.

OPTION 2: Total Power Independence Through Co-generation & Coal-Fired Plant (BTG)

- The Cogeneration potential of 30MW will also be studied and designed and could further be utilized to augment the coal fired power supply, increasing the potential MW’s to be sold back into the grid.
- CISDI, the steel and power division of MCC to provide on a turnkey basis 4 x 50MW boiler turbine generators to be a Baobab owned power generation plant. Detailed capex, opex and turnkey EPC proposal pending.

ELECTRICIDADE DE MOÇAMBIQUE (EDM) IS MOZAMBIQUE’S NATIONAL POWER UTILITY. BAOBAB HAS SIGNED AN MOU WITH EDM AND IS IN THE PROCESS OF NEGOTIATING A POWER PURCHASE TERM SHEET FOR 55MW TO 100MW.
4.1 MARKETING & OFF-TAKE
REGIONAL STEEL TRADERS SEE IMMEDIATE MARKET DEMAND FOR TETE STEEL

LETTERS OF INTEREST RECEIVED FROM REGIONAL STEEL TRADERS WITH OFF-TAKE AGREEMENTS UNDER NEGOTIATION.

TRADERS BELIEVE THERE IS A CURRENT SADC MARKET DEMAND OF BETWEEN 530KTPA AND 775KTPA OUTSIDE OF SOUTH AFRICA.

<table>
<thead>
<tr>
<th>Country</th>
<th>Deformed bar</th>
<th>Wire rod coils (5.5 - 14 mm)</th>
<th>Light Channels</th>
<th>Light Mill (angles and flats)</th>
<th>Billet (90 – 130 mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mozambique</td>
<td>96,000 – 120,000</td>
<td>30,000 - 36,000</td>
<td>12,000</td>
<td>12,000 - 18,000</td>
<td></td>
</tr>
<tr>
<td>Blue Water (Kenya, Tanzania, Ethiopia,)</td>
<td>48,000 – 72,000</td>
<td>48,000 – 72,000</td>
<td>24,000 – 30,000</td>
<td>48,000 – 60,000</td>
<td>48,000 – 72,000</td>
</tr>
<tr>
<td>Regional Market:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zimbabwe, Zambia, Malawi, DRC and Botswana</td>
<td>36,000 – 72,000</td>
<td>18,000 – 24,000</td>
<td>24,000 – 36,000</td>
<td>24,000 – 42,000</td>
<td></td>
</tr>
<tr>
<td>Indian Ocean Market:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mauritius, Madagascar, Reunion</td>
<td>6,000 – 12,000</td>
<td>18,000 – 24,000</td>
<td>2,400 - 6,000</td>
<td>12,000 – 24,000</td>
<td>24,000 – 42,000</td>
</tr>
<tr>
<td>South Africa *</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Difficult to enter, 10% duty and dist. cost of USD 3050 /30 tonne ex Tete. Market size sufficient
4.2 MARKETING & OFF-TAKE
ACCESS TO RAW MATERIALS & BY-PRODUCTS DRIVE LOWEST QUARTILE OPEX

- World Steel Dynamics (WSD) is a ‘Strategic Information Service’ providing critical and new perspectives on possible and probable steel industry developments. WSD regularly analyzes and publishes reports on steel prices, steelmakers' costs, steel supply/demand and steel finances.

- World Steel Dynamics have completed a detailed marketing study for Baobab, focusing specifically on local and regional market demand.

- Taking into account the local access to raw materials, Baobab Resources is positioned in the lowest quartile of the global cost curve.

- In order to achieve this low cost position, a capex in the region of US $820m is estimated to be required, which in addition to the mine, processing plant and iron and steel making facilities, includes a captive coal fired power plant and a vanadium refinery.
4.3 Marketing & Off-take
Transport Cost & Local Presence Drives Premium Price

• There is currently no rebar production capacity in Mozambique, which is reliant on imports of semi-finished and finished steel, as are Tanzania and Zimbabwe

• Local markets are land-locked yet exhibit attractive growth rates for steel consumption, driving a local price premium based on the prohibitive cost and logistics constraints of importing steel

• Baobab would furthermore benefit from a local producer premium, being able to offer more tailored delivery and a higher service content than available with imported product

• Zambia has limited, low-quality, erratic supply and offers Baobab a gateway to the DRC

**LOCAL STEEL PRICE AT TETE**

<table>
<thead>
<tr>
<th></th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOB China price</td>
<td>315</td>
</tr>
<tr>
<td>+ add Ocean freight</td>
<td>35</td>
</tr>
<tr>
<td>+ add Port handling &amp; land transport</td>
<td>100</td>
</tr>
<tr>
<td>+ local mill premium</td>
<td>100</td>
</tr>
<tr>
<td>Local Steel Price</td>
<td>550</td>
</tr>
<tr>
<td>Baobab cash cost</td>
<td>253</td>
</tr>
<tr>
<td>Baobab gross margin (%)</td>
<td>54%</td>
</tr>
</tbody>
</table>

**Estimated Local Steel Pricing**

- China FOB price USD 315
- + add Ocean freight USD 35
- + add Port handling & land transport USD 100
- + local mill premium USD 100
- Local Steel Price USD 550
- Baobab cash cost USD 253
- Baobab gross margin (%) 54%

**Source:** CD Research, 2015

Local Premium
In a land-locked region with limited domestic steel supply, import price parity (“IPP”) currently sets a floor for local steel pricing but in reality rebar trades at a significant premium to IPP. Baobab should be able to sustain and increase this premium once it has developed a local source of supply and service offering.
5. STRATEGIC / INDUSTRIAL PARTNER SEARCH
WORKING WITH STANDARD BANK TO ENSURE PROJECT SUCCESS

• Baobab Resources has commissioned Standard Bank to provide corporate services.

• A Chinese Road Show took place in December 2015 to introduce the project to potential investors and steel producers.

• The timing of these introductory meetings, coming a week after President Xi committed over US$60bn to African development, was excellent and the project was received with enthusiasm. MCC’s involvement was also considered key to securing Chinese participation.

• During the meetings, three areas of perceived risk became apparent:

  1. QUALITY OF UNDERLYING MINERAL RESOURCES
  2. IRON AND STEEL MAKING TECHNOLOGY SELECTION
  3. MARKETING FUNDAMENTALS

Standard Bank

• One of South Africa’s oldest banking establishments with extensive mining and metals expertise and an unparalleled network across Africa and Asia.

• Actively involved in Mozambique with investments of c.US$1bn to date.

• Works closely with its majority shareholder, China’s largest bank, the ICBC, in identifying and facilitating African investment opportunities.
6.1 INDUSTRIAL FREE ZONE APPLICATION
ANCHOR PROJECT FOR LARGE SCALE INDUSTRIAL FREE ZONE

STEEL MAKING FACILITIES ARE OFTEN THE NUCLEI OF LARGE SCALE INDUSTRIAL ZONES, SUPPORTING UPSTREAM AND DOWNSTREAM ENTERPRISES INCLUDING:

- Re-rolling mills producing specialty steel products
- Wire rod mill
- Rail production
- Tooling workshops producing fencing steel, wire mesh, pre-stressed concrete, bale ties, wire rope, bridge wire, nails, rail spikes, etc
- Clinker and cement production
- Hydro-electric and thermal coal power plants
- Pigment/paint production utilising titanium by-product
- Ferro-vanadium refinery
- Vanadium battery production
- Prefabricated reinforced concrete sections
- Myriad of secondary and tertiary industries associated with steel (automotive, white-goods)

INDUSTRIAL FREE ZONE (IFZ) APPLICATION SUBMITTED TO GAZEDA IN OCTOBER 2015 & WILL BE PRESENTED TO THE COUNCIL OF MINISTERS FOR APPROVAL DURING Q2 2016
6.2 INDUSTRIAL FREE ZONE APPLICATION
IFZ IS A MANIFESTATION OF GOVERNMENT SUPPORT

Discussions with the Mozambican government regarding the establishment of an Industrial Free Zone surrounding the project are in line with the country’s strong desire to drive an urbanisation and industrialisation agenda.

This has the potential to lead to significant tax concessions and downstream development.

Phase I includes heavy, medium and light industry (and ancillary services).

Phases 2, 3, and 4 include commercial and residential.
6.3 INDUSTRIAL FREE ZONE APPLICATION & GOVERNMENT SUPPORT
STEEL MILL TO BECOME ANCHOR INDUSTRY FOR INDUSTRIAL FREE ZONE

- Industrial Free Zone (IFZ) application was submitted in October 2015 and has been well received by the Ministries of Finance & Economy and Trade & Industry. With firm provincial support, the application is now ready to be presented to the Council of Ministers for approval.

- Forum for China-Africa Cooperation (December 2015): President Xi pledged to triple China’s investment into Africa to US$60bn.

- During the FOCAC summit, Chinese government stated its commitment to investing in Mozambique. The Ministry of Trade & Industry is leading various other ministries and CPI to compile a short list of investments the Mozambique government wishes to support. This list will be presented in China in Q2 2016.

THE TETE IRON & STEEL PROJECT HAS BEEN LISTED AMONG THOSE THAT WILL BE PRESENTED TO THE CHINESE GOVERNMENT FOR PRIORITY FINANCIAL SUPPORT.
7. COMMUNITY & ENVIRONMENT
STEEL PROJECT WILL DELIVER UNPRECEDENTED SOCIO-ECONOMIC RETURNS FOR GENERATIONS

• ESHIA SPECIALIST STUDIES COMPLETED
  • All translations completed
  • Environmental monitoring ongoing

• EIA AND EMP SUBMITTED 4 MAY 2016
  • Public disclosure completed in March
  • Off-site MITADER review workshop scheduled for May

• RAP AND SDP UNDERWAY
  • Final resettlement site selection completed
  • Finalising documentation for submission and public disclosure

• DUAT APPLICATIONS SUBMITTED

• EARLY STAGE COMMUNITY PROGRAMMES UNDERWAY
  • Water bores | teacher training bursaries | health education programmes

• WATER CONCESSION APPLICATION BEING PREPARED
  • SRK studies demonstrate that perennial river abstraction is readily achievable

An Opportunity to Thrive
Baobab’s dedicated Community & Environment team works in close partnership with local communities on a range of initiatives.
FAST TRACK TO COMPLETION
EARLY EPC ENGAGEMENT TO BRING FORWARD TIMELINES

2014 / 2015 HIGHLIGHTS:
✓ Expanded and upgraded mineral resource
✓ Metallurgical test work provides further confirmation of technical viability
✓ 25 year Mining Concession awarded
✓ Strategic decision to adopt full vertical integration from mining to steel production
✓ Southern African steel supply/demand dynamics and market growth study
✓ Company de-listing and open offer secured funding to complete feasibility studies
✓ Commissioned MCC to complete Feasibility Studies and provide EPC proposal

2016 ACTION PLAN:
1. Complete pilot scale test work (450t iron ore and 50t coal bulk samples in China).
2. Complete negotiations for coal off-take terms and conditions with local coal suppliers.
3. Draft EPC framework agreement with Chinese EPC and engage with Chinese finance institutions.
4. Complete pit optimisation, mine scheduling and reclassification of Resources to Reserves (SRK).
6. Finalise Mining Contract.
7. Secure land use and industrial licences.
8. Secure Industrial Free Zone status.
9. Secure production off-take (steel and vanadium)
10. Finalise tariff and terms of the power purchase term sheet with EDM.
11. Finalise discussions on port and rail allocation with CFM, Cornelder and CDN.
12. Wrap of BFS by Chinese EPC and move towards financial close.
SUMMARY
MAPPING A TECHNICAL & COMMERCIAL PATH TO PRODUCTION

UNIQUE OPPORTUNITY TO BECOME SOLE SUPPLIER TO MOZAMBIQUE’S RAPID GROWTH, IMPORT DEPENDENT DOMESTIC STEEL MARKET; THEREBY DE-COUPLING PROJECT FROM FLATTENING GLOBAL MARKET TRENDS.

• Domestic steel production is an essential prerequisite for a developing nation to be able to rapidly ‘tool-up’.

• The Tete Steel Project has the potential to form the cornerstone of Mozambique’s steel industry for the next 100 years, delivering robust investor returns and unprecedented local and national socio-economic benefits.

• Underlying world class iron ore resource and modular steel making technology will facilitate production expansion to match national and regional growth profiles.

• Engaging with an internationally respected Chinese EPC contractors, accessing tried and tested steel making technology, is expected to significantly reduce capital requirements, introduce financing solutions and fast-track project execution.

GAME CHANGING PROJECT FOR MOZAMBIQUE, ATTRACTING UNPRECEDENTED GOVERNMENT SUPPORT AND STRATEGICALLY ALIGNED WITH THE 2015 PRESIDENTIAL MANIFESTO AND 5 YEAR PLAN.

Tier 1 Asset
Project geologist Jone Dzindua inspects a specimen of oxidised titano-magnetite at the Tenge deposit.

Q1 2013 Pre-Feasibility Study
H1 2016 Definitive Feasibility Study
H1 2019 Construction (24 months) Commissioning Production
The Tete Project resource base will underpin a long life, multi-generational, operation supplying the region’s growing demand for iron & steel products.

Photograph: Baobab’s future Operations Manager enjoys a Tenge sunset with the Project’s future Chief Metallurgical Engineer & Mine Superintendent.